ALBERTA AGRICULTURE, FOOD AND RURAL DEVELOPMENT

ANNUAL REPORT

2001-2002

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

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Preface

Public Accounts 2001-2002

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 25, 2002, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Agriculture, Food and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture, Food and Rural Development, regulated funds and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2002, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at August 29, 2002, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Shirley McClellan

Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

August 29, 2002

103-01799/

Message from the Minister

Thank you for taking the time to review this annual report for 2001-2002.

Reading it will reveal many initiatives that you may not be aware of. In this era of constant change, ministries must continue to rejuvenate and launch innovative new programs and services that will contribute to the government's three core businesses: people, prosperity and preservation. The Ministry's primary focus is working with others to promote prosperity for Alberta through a strong, competitive agriculture and agri-food industry that is sustainable and environmentally responsible.

Within these pages, you will find many examples of how the Ministry is helping producers adapt to change. This includes changing world markets, commodity prices, weather variances, the policies and programs of both national and international governments, consumer tastes, and social norms and/or standards.

You will also learn about new food safety initiatives, programs to encourage technology transfer and applied research, progress in adding value to industry commodities, products and services, and how the Ministry is working to improve industry competitiveness and diversification.

Alberta is the second largest agricultural producer in Canada, and our agriculture and agri-food industry is our largest renewable resource-based industry. In 2001, the primary sector generated $8.3 billion in farm cash receipts, which represents 22.9 per cent of Canada's primary agricultural output.

In addition, the food and beverage manufacturing industry set a new record for shipments at $9.87 billion in sales. This is the largest manufacturing sector in Alberta, accounting for 23.3 per cent of total provincial manufacturing shipments. During 2001, employment numbers in this sector and the primary sector averaged 82,500, making these areas the third largest goods-producing employer in Alberta.

An annual report is a report card that examines an entity's financial reports, core businesses, functions, goals and performance measures. I am pleased with the achievements, progress and benchmarks in this report and would like to congratulate Ministry staff and our industry partners who helped make it happen.

Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Crop Reinsurance Fund of Alberta*
- *Agriculture Financial Services Corporation*
- *Alberta Opportunity Company*
- *Alberta Dairy Control Board*
- *Alberta Grain Commission*
- *Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control that give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,

- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture, Food and Rural Development any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Brian Manning

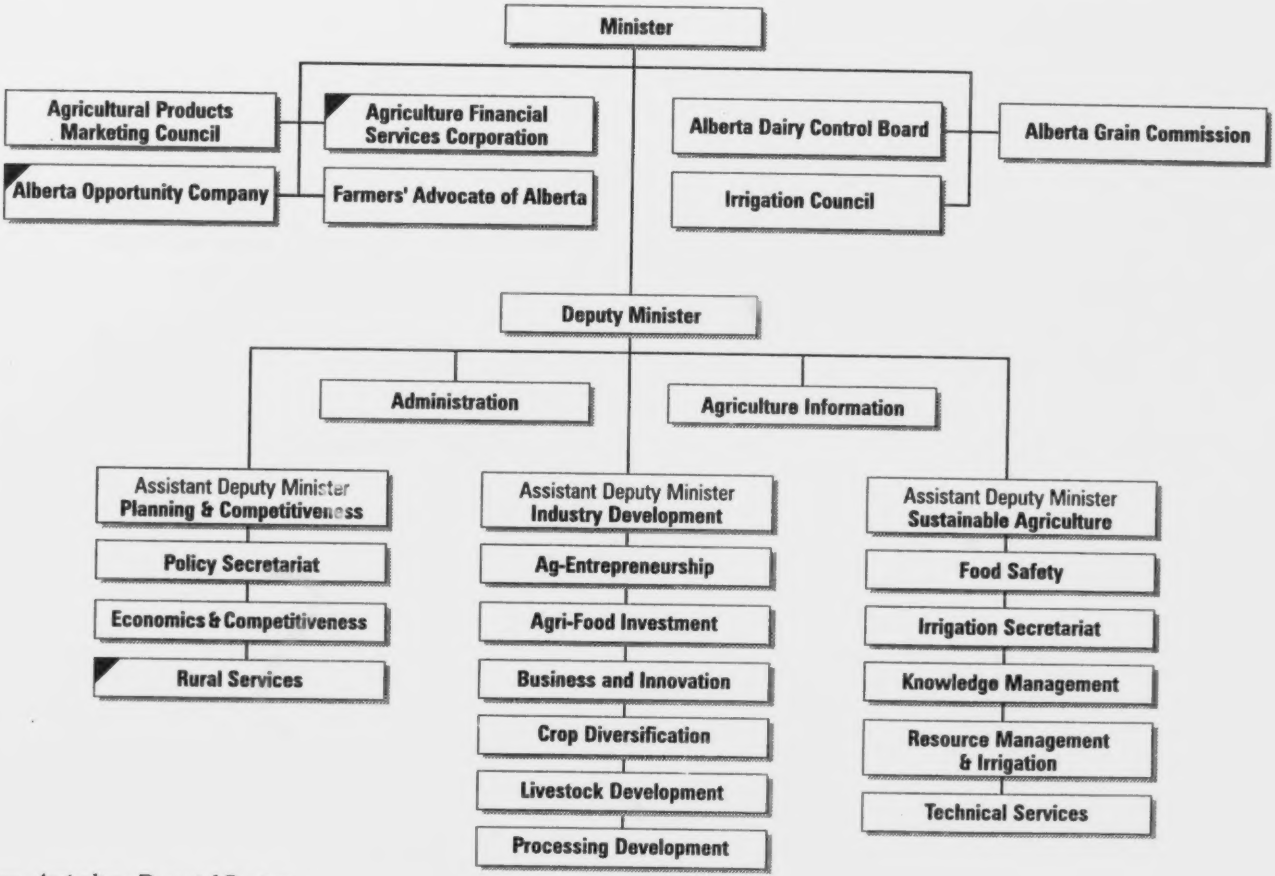
Brian Manning

Deputy Minister
Ministry of Agriculture, Food and Rural Development

August 29, 2002

Overview

Chart of Ministry Entities


Minister
Agricultural Products Marketing Council
Agriculture Financial Services Corporation
Alberta Opportunity Company
Farmers' Advocate of Alberta
Alberta Dairy Control Board
Alberta Grain Commission
Irrigation Council
Deputy Minister
Administration
Agriculture Information
Assistant Deputy Minister Planning & Competitiveness
Policy Secretariat
Economics & Competitiveness
Rural Services
Assistant Deputy Minister Industry Development
Ag-Entrepreneurship
Agri-Food Investment
Business and Innovation
Crop Diversification
Livestock Development
Processing Development
Assistant Deputy Minister Sustainable Agriculture
Food Safety
Irrigation Secretariat
Knowledge Management
Resource Management & Irrigation
Technical Services

◤ *Agriculture Financial Services Corporation and Alberta Opportunity Company merged on April 1, 2002.*

◤ *Rural Services was formed on April 1, 2002, with the merging of Rural Development and Progam Services.*

Entities - Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities. Visit the Ministry web site at **http://www.agric.gov.ab.ca**

Administration Division

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process and coordination of facilities required for the working environment of departmental staff.

#307, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2151

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the Department in the area of electronic data processing development, maintenance and use. Some of the above functions were transferred to the Alberta Corporate Services Centre in 2001.

Agriculture Information Division

Responsible for the planning, development, organization and evaluation of communications programs including publishing, multi-media, executive communications, corporate communications and freedom of information and protection of privacy. Also administers the Ministerial Action Request System.

#100A, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2727

Planning and Competitiveness Sector

Policy Secretariat

#301, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2070

Communicates and interacts with all segments of the Ministry, agriculture industry and other governments to effectively meet the needs of the Department for strategic planning, program planning, policy research, analysis and development in various areas. Coordinates departmental responsibilities on regulatory review, performance measures, environmental and resource planning, among others.

The Secretariat provides ongoing analysis, evaluation and recommendations on national and international trade policy developments and assists industry on trade negotiations, legislation and trade disputes.

Economics and Competitiveness Division

#303, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7311

Provides economic data and analysis expertise to assist Alberta industry optimize growth opportunities in agri-food products and services. Functions include applied economic business analysis, competitiveness studies, benchmarking/forecasting source data as well as analysis of emerging industry trends. In collaboration with Economic Development, the Division has created a new, enhanced capability to identify opportunities in the global marketplace. Together, the Departments continue to provide timely market information to Alberta exporters, producers and processors.

Rural Services Division

#200, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-9167

Responsible for the delivery of several farm income assistance programs, Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for negotiating and managing federal cash flow requirements under federal/provincial safety net agreements and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

Promotes community-based, economically sustainable rural development by directing and supporting rural organizations and services such as: agricultural service boards, agricultural societies, agricultural development committees and recommending policy in rural development.

Responsible for coordinating and delivering educational, leadership and training programs such as 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom and farm safety.

Rural Services was formed on April 1, 2002, through the merger of the former Program Services and Rural Development Divisions.

Industry Development Sector

Ag-Entrepreneurship Division

4709 - 44 Avenue
tony Plain, Alberta T7Z 1N4
(780) 968-3512

Strives to foster the people who create and develop new products and enterprises (including new services, technologies and uses) through diversification, access to new markets and/or adding value to existing products. The Division delivers results by leading projects that inspire new agri-entrepreneurs, expand the capacity of existing agri-entrepreneurs, cultivate new networks and remove barriers that impede agri-entrepreneuership growth and development.

Agri-Food Investment Division

Attracts new investment to establish and expand agri-food processing and primary production in Alberta. Assists companies/investors to identify and evaluate investment opportunities, locate sources of capital, develop industry partnerships/alliances/joint ventures, complete feasibility studies and select site locations. Supports municipalities in the development of water/wastewater infrastructure for agricultural processing. The Division is responsible for the administration of the Municipal Industrial Wastewater Program.

#304, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1858

Business and Innovation Division

Supports the growth and development of market-driven agri-businesses. Facilitates strong linkages between individual producers, agri-processors and new opportunities in the marketplace, with a focus on business management strategies that maximize profits and encourage growth.

#304, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-2853

Crop Diversification Division

Strives to improve crop production methods, options and safety for Alberta's agricultural industry. Facilitates growth through research, development and extension, which enable producers to diversify, improve competitiveness and reduce risk.

17507 Fort Road
R.R. #6
Edmonton, Alberta T5B 4K3
(780) 415-2311

Livestock Development Division

Supports growth in the livestock, livestock products and forage industries by providing new technology to adjust to shifts in consumer demand and to remain competitive with other areas of the world. The Division uses applied research and information packages to support access to global markets. Collaborates with the design and implementation of safe food production systems, and collaborates with industry and the Technical Services Division to facilitate improvements in livestock production systems.

#204, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1858

Processing Development Division

Focuses on value added processing of agriculture commodities through laboratory development and pilot plant scale-up to develop new products, establish new technologies and improve existing processes. The work is done through the four units: the Food Processing Development Centre, the Centre for Agri-Industrial Technology, the Food Science and Technology Program and the Sensory Evaluation Program.

6309 – 45 Street
Leduc, Alberta T9E 7C5
(780) 980-4862

Sustainable Agriculture Sector

Food Safety Division

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response; support for development of on-farm production protocols; assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants; inspection of provincial slaughter plants; dairy farm inspection; food safety surveillance, animal health surveillance, soil and crop surveillance; research into food safety, animal health, crop and soil issues and provision of essential non-routine diagnostic services.

#300, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-6159

Irrigation Secretariat

#328, Provincial Bldg.
200 - 5th Avenue South
Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Knowledge Management Unit

#307, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1821

Coaches, mentors and facilitates Department staff in ways to improve their knowledge and information management practices to enhance the collective ability of staff to provide timely and valuable information, products and services to the Department's clients.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-4596

Provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

Technical Services Division

#204, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-0674

Directs and coordinates programs and policies to support the sustainable growth of the agriculture industry through research, testing and evaluation of technology and equipment, development of legislation and technical standards for confined feeding operations, and quality farm water supplies for domestic and livestock use.

Program areas include livestock welfare, engineering services, on farm water management and environmental practices related to sustainable livestock and crop production.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

Lacombe Central Office
5718 - 56 Avenue
Lacombe, Alberta T4L 1B1
(403) 782-8200

Camrose Central Office
4910 - 52 Street
Camrose, Alberta T4V 4E8
(780) 679-1311

AFSC delivers a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. It offers unique financial products and services not provided by others in the industry.

AFSC provides crop, forage and hail insurance, plus waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. It also administers the Farm Income Disaster Program, a whole-farm safety net program that compensates for disastrous declines in farm income.

AFSC's financial services include the provision of farm loans and business analysis services for beginning and developing farmers, financial counseling, disaster financing for those facing disastrous reductions in farm production or income, the facilitation and sourcing of financing for companies in the agri-food and value added industry, and loans to the small business sector.

AFSC produces a separate annual report.

Alberta Opportunity Company

Provides loans and guarantees up to $2 million to viable small and medium-sized Alberta businesses unable to obtain financing on reasonable terms and conditions from conventional lenders.

Merged with Agriculture Financial Services Corporation on April 1, 2002.

5110 - 49 Avenue
(P.O. Box 4040)
Ponoka, Alberta T4J 1R5
(403) 783-7011

Alberta Grain Commission

Provides continuous review of all facets of the grain and oilseeds industry in Alberta for the purposes of recommending policy. Provides a daily grain price information service.

#305, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7329

Alberta Dairy Control Board

Administers the *Dairy Board Act* and regulation, hears appeals from the dairy industry and generally provides an independent sounding board for the dairy industry. Formulates policy recommendations, initiates legislative changes and formulates procedures that govern the dairy industry in Alberta and Canada.

Provincial Bldg.
5201 - 50 Avenue
Wetaskiwin, Alberta T9A 0S7
(780) 361-1231

Irrigation Council

Makes recommendations to the Minister on irrigation district related matters. Approves expenditures under the Irrigation Rehabilitation Program and monitors irrigation district activities as outlined in the *Irrigation Districts Act* .

#328, Provincial Bldg.
200 - 5th Avenue South
Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Agricultural Products Marketing Council

Advises the Minister on matters relating to the establishment, operations and control of the boards and commissions established under the *Marketing of Agricultural Products Act*. Provides assistance and advice to boards and commissions in support of their efforts in the areas of market development, research and promotion.

#305, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2164

Farmers' Advocate of Alberta

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Resource Development, Municipal Affairs, Infrastructure and other levels of government to formulate policy recommendations and procedures that affect the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans. Administers the *Farm Implement Act*.

#305, J.G. O'Donoghue Bldg.
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2433

Funds

The **Crop Reinsurance Fund of Alberta** is administered under the provisions of the agreement between the Province and the Federal Government, and the Agriculture Financial Services Corporation reinsures the risks. Two separate Reinsurance Funds have been established. One is a provincial reinsurance fund called the Crop Reinsurance Fund of Alberta and the other is federal, called the Crop Reinsurance Fund of Canada for Alberta. There is no basic reinsurance premium contribution to the federal and provincial funds. Reinsurance premium is based on a formula geared to prior year volume of business and the balances in the two funds. Reinsurance funds are utilized when there is a deficit in the Crop Insurance Fund at the end of a fiscal year.

Operational Overview

Ministry's Core Businesses

The Ministry contributes to the government's three core businesses: people, prosperity and preservation. Alberta Agriculture, Food and Rural Development's primary focus is on the second core business: prosperity – working with others to promote prosperity for Alberta through a strong, competitive agriculture and food industry that is sustainable and environmentally responsible.

Ministry core businesses;

- industry development
- planning and competitiveness
- risk management and lending
- sustainable agriculture

Costs for Core Businesses

Agriculture, Food and Rural Development
Ministry Expense by Core Business

(thousands of dollars)
unaudited

Core Businesses	2001-02 Estimates	2001-02 Actual
Industry Development	$ 54,905	$ 59,055
Planning and Competitiveness	33,885	34,418
Risk Management and Lending	735,293	947,615
Sustainable Agriculture	58,012	61,737
Cost of core businesses	882,095	1,102,825
Restricted expense	61,661	130,356
Ministry expense	**$943,756**	**$1,233,181**

Each of the seven Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture, Food and Rural Development in contributing to the Government of Alberta's 27 core performance measures. The Results Analysis section in this annual report presents a comprehensive discussion of the Ministry Goals, the contributions to the Cross Ministry Initiatives, Performance Measures and the Results of Operations for the fiscal year 2001-2002.

Major Ministry Functions

- *applied research*
- *technology transfer*
- *regulatory*
- *industry development*
- *risk management*
- *lending*

Award for Innovation

The success of the Alberta Government was recognized through the Gold Award for Innovative Management presented by the Institute of Public Administration in Canada (IPAC). This significant award recognizes the innovative management practices the Government of Alberta has been employing, and all ministries are proudly displaying the IPAC logo.

Government of Alberta
2001 IPAC
Gold Award
for Innovative
Management

Division/Agency Changes

The process for significant change began in 2001-2002 to restructure the department's Industry Development Sector, to merge the Agriculture Financial Services Corporation and the Alberta Opportunity Company and to combine the Program Services Division and Rural Development Division. These processes have created a new look for the Ministry, which took effect on or after April 1, 2002.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all the Ministry's entities:

Actual Results Compared to Budget

(millions of dollars)

	2001-2002 Budget	**2001-2002 Actual**	**2000-2001 Actual**
Revenues	$493	$ 648	$312
Expenses	944	1,233	821
Excess of expenses over revenues	**$451**	**$ 585**	**$509**

The following two pages provide summary highlights of the Ministry's 2001-2002 results:

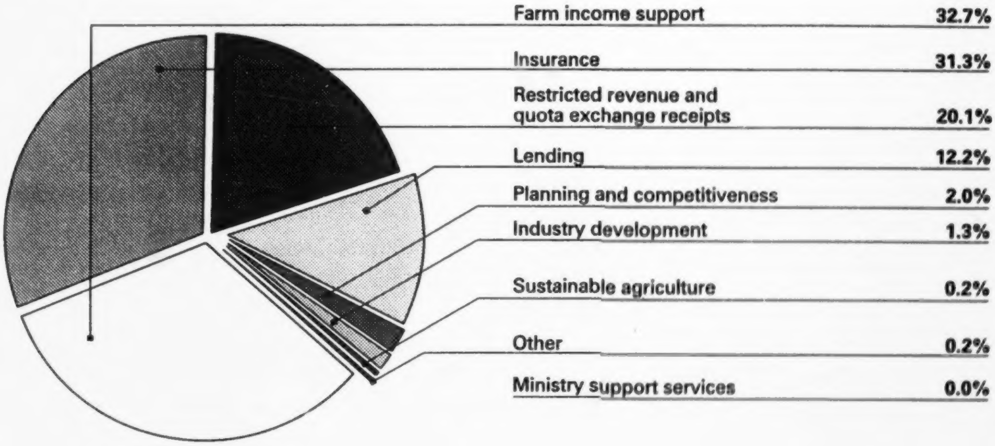
- *financial highlights showing Ministry revenues and expenses by program*
- *summary performance measures highlights*

A full discussion of both the financial and performance measures results is presented in the Results Analysis section of this annual report.

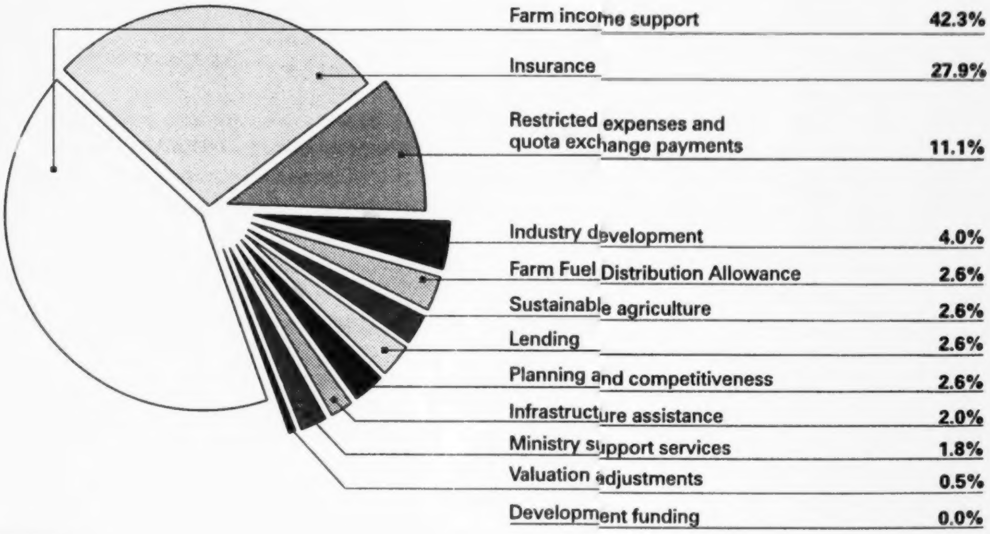
Highlights – Financial and Performance Measures

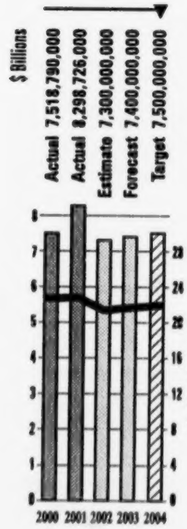
Financial

Revenue by Program
(percentage)



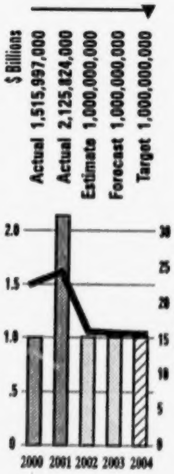
Expenses by Program
(percentage)





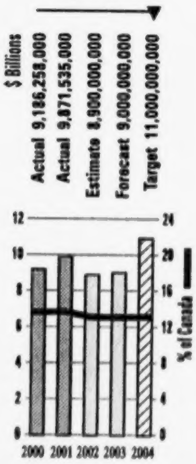
Alberta farm cash receipts

Measure 1



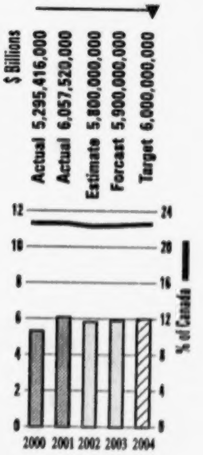
Alberta net cash income

Measure 2



Food and beverage value of shipments

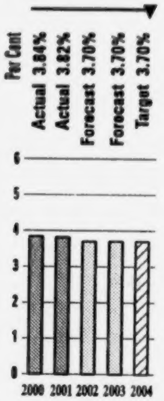
Measure 3



Value of out-of-country shipments

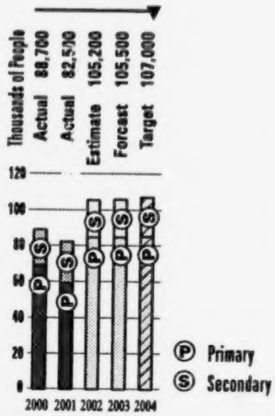
Measure 4

▩	Actual or estimate
▤	Forecast
☐	Target
▬	% of Canada



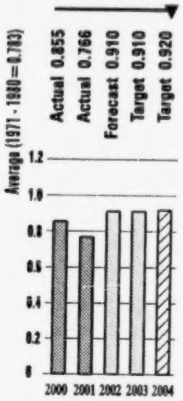
Contribution to provincial gross domestic product

Measure 5



Employment in agriculture and food

Measure 6



Land productivity index

Measure 7

Results Analysis

Ministry Goals

Goal 1

Expenses incurred to achieve results attached to this goal total $51.4 million. The majority of the expenditures were comprised of $24 million directed to irrigation infrastructure support and approximately $18 million dedicated to industry development initiatives.

Ministry Goal #1

Improved industry competitiveness

Measure

Reduction in barriers that limit market access and competitiveness

Strategy

Advocate policy, legislation, regulation and institutional reforms that assist industry to respond to growth opportunities.

Results

- Signed a revised Federal-Provincial Agreement for Chicken that ensures a level playing field across provinces and the continued growth of the Alberta chicken industry.
- Assisted the "Alberta Farmers Want Marketing Choice" Action Team with the development and submission of their report and recommendations.
- Finalized the Animal Welfare Protection and Enforcement Agreement with the Alberta Society for the Prevention of Cruelty to Animals to enforce the Animal Protection Act in Alberta.
- Ag Summit Process of public consultation began its final steps with Action Teams comprised of industry representatives from across the province; Agrivantage, the coordinating group of industry and government representatives; and the Ag Summit Office of Ministry staff managing the day-to-day operations of the process. Action Teams completed their work on March 31, 2002. Agrivantage and the Ag Summit Office have initiated processes to consider Action Team recommendations.
- Brought key legislators and agriculture industry representatives together for discussions at the Montana Alberta Agriculture Opportunities Conference.
- Through consultation with major stakeholders, the *Irrigation Districts Amendment Act* was developed and passed. Amendments were necessary to allow irrigation districts to operate more effectively and manage their water allocations in an efficient and effective manner.
- Joint federal/provincial work on ongoing international trade negotiations under the World Trade Organization and Free Trade of the Americas and negotiations on agricultural trade agreements with Central America, Israel, Singapore and the Caribbean Community resulted in a national position that largely reflected Alberta's views.
- Provided policy advice to all interested stakeholders on science and technology with a special focus on areas vital to the efficiency, global competitiveness and sustainable growth of the Alberta industry.
- Ensured the inclusion of goals and measures of benefit to Alberta in the development of the Science and Innovation Chapter for the national Agriculture Policy Framework.

- Worked with stakeholders from Alberta's racehorse breeding and racing industry to assist them in reviewing their industry and in making recommendations for owners, breeders, racing facilities and governments to help rejuvenate the sector and position it for future growth. This report was completed, and a number of recommendations are currently being implemented.

Strategy

Create economic and regulatory conditions necessary for farmers and industry to better respond to available opportunities.

Results

- As part of government's Regulatory Reform initiative, regulations are to be reviewed to reduce industry compliance costs, simplify procedures and speed up the approval processes. Ministry staff worked with industry to examine a total of 37 regulations in 2001-2002.
- Maintained an awareness of potential animal disease technical barriers to trade in Canada and internationally.
- Through a variety of surveillance programs/projects, an awareness of Alberta's animal health status is maintained, allowing Alberta to demonstrate to its trading partners the province's freedom from disease. Examples of animal health surveillance programs are transmissible spongiform encephalopathies: bovine spongiform encephalopathy in cattle, chronic wasting disease in cervids and scrapie in sheep.
- The continuation of the Johne's Disease Herd Status Program had 65 private practitioners being accredited to participate in the program and nine cattle herds achieved Level One status in the four-level programs.
- Alberta maintained its rat-free and Dutch Elm Disease-free status.
- Demonstrated leadership in Fusarium prevention program: prepared response plan, provided training and handled regulatory issues, leading the program to zero tolerance.
- Processed 20 applications for Minor Use registrations for pesticides. Provided sponsors with information and assistance in acquiring funding support.

Measure

Alberta's market share for priority products in priority markets

Strategy

Encourage applied research, competitive intelligence and technology transfer for the benefit of Alberta's industry.

Results

- Assisted clients to add value to information on priority subject matter.
- Partnered with media to provide over 350 agriculture and food information articles to the public.
- Listening audience for Call of the Land was over 110,000 on 19 Alberta stations and the CKUA network.
- Prepared and released 102 technology transfer publications at quality standards for editorial excellence, design, layout and production.
- Launched Agtech Centre (an agriculture engineering test facility) in Lethbridge with the mandate for technology development related to sustainable livestock and crop production.
- Supported the development of national building standards for agriculture buildings.

- Contributed to the development of the provincial life science strategy through participation on the inter-ministry group assigned the task.
- The Ministry's research strategy and research business plan was developed.
- Helped focus Ministry research activities, industry issues, priorities and resources for future enhancement of agriculture and food research and technology transfer in Alberta.
- Completed and launched Phase I of the North American Distribution and Retailing database.
- Provided key estimates and Alberta input to federal estimates for farm income and expenses, crop acres yield and production, livestock inventories, sales and values. These estimates were key indicators and points of assessment for the department and industry growth, development and performance. Forecasts were also provided for farm income, trade levels and manufacturing shipments.
- Collaborated with the Alberta Chicken Industry Market Development Committee on competitive intelligence to produce: "The Global Poultry Industry: Key Competitors and Markets" report. The report continues to be used as the basis for discussions by the committee concerning industry competitiveness.
- Continued to provide on-farm irrigation management training programs to private sector companies and organizations in support of their ongoing training of irrigation producers.
- A revised Irrigation Rehabilitation Program policy regarding recurrent rehabilitation was approved and implemented.
- Immunohistochemistry staining, the universally accepted standard method of prion detection in brain tissue, is now employed in the bovine spongiform encephalopathy and voluntary chronic wasting disease surveillance programs.
- The Alberta/Canada Barley Development Project partnership between the Alberta and Canada governments and industry is in its ninth year of operation. The program is committed to the development of cereal crops through breeding, genetic, molecular, physiological and agronomic research.
- Over 35 scientific publications were produced from the research findings in 2001 including 15 papers published in scientific journals, 14 publications in conference proceedings, 7 scientific reports and technology transfer publications.
- In total, 19 new barley varieties have been registered from the barley development program. In 2001-2002, two new feed barley varieties were released to the Alberta producer. The varieties developed from the program occupy significant acreage in western Canada, and the value of this research to Alberta and western Canada is estimated as being greater than $4 billion since the program began.
- The development of two-row feed barley varieties project has made tremendous advances in developing multiple disease resistant varieties and high silage yield varieties. The project has several breeding populations in the system at various stages of development.
- Silage production of cereals, primarily barley, has grown in importance to over 1 million acres of production annually in Alberta.
- Crop, livestock and diversified livestock Industry Development Funds were set up by industry and the Ministry to support research and marketing projects that promote the growth of these industries in Alberta.
- Research activities focused on beef producer capacity to respond to growth opportunities with improved competitiveness and excellence in food safety.
- Enhanced biosecurity awareness of foot and mouth disease, bovine spongiform encephalopathy, and Fusarium head blight issues.

- 2,050 4-H youth participated in livestock judging competitions, resulting in a steady growth in skills and technology transfer.
- 4-H project resource development and skill updates in beef, equine, dairy and Bison continued with over 90 per cent of delegates indicating increased knowledge.

Strategy
Support the further development of management skills.

Result
- Provided an integrated package of technology, benchmarks, research and management skill development information to cow/calf producers through the CowProfits initiative (a collaboration between research, program and extension staff to improve the economic and business management skills of Alberta producers).

Strategy
Advocate policy, legislation, regulation and institutional reforms that assist industry to respond to growth opportunities.

Results
- Completed a preliminary economic assessment on the value of land near intensive livestock operations for the Natural Resources Conservation Board.
- In collaboration with other governments and industry, enhanced global market opportunities by resolving and managing trade issues/litigations involving Canada's dairy exports, proposed U.S. farm legislation, China's regulations on genetically modified organisms, and the potato and wheat trades.

Measure

Production index for priority products

Strategy
Increase awareness of agriculture, its contributions and issues among Albertans.

Result
- Maintained a broad publication and Internet service for statistical information. Publication highlights of industry wide statistics included the *2001 Agriculture Statistics Yearbook*, the "2001 Agriculture Statistics Factsheet," 18 issues of "Agrifood Statistics Update" and the "Agriculture Facts" quick reference sheet. A wide range of specific industry or subject publications were also prepared and distributed.

Strategy
Encourage infrastructure and systems that support sustainable growth and diversification.

Results
- Completed the review and monitoring of all projects proposed and constructed by irrigation districts as part of the Irrigation Rehabilitation Program.
- In collaboration with Agriculture and Agri-Food Canada, the Ministry planned to increase resources to develop an expanded and dedicated pulse breeding program in Alberta.

Goal 2

Expenditures associated with value added initiatives total $144.2 million. The largest component is the restricted expenses incurred in accordance with agreements with the dairy industry. Expenditures incurred to support the processing industry, including agri-food, food processing and investment development, total approximately $4.2 million.

Ministry Goal #2

Increased amount of value added to industry commodities, products and services

Measure

Value of production of agriculture and food products

Strategy

Encourage new and expanded investment in value added processing.

Results

- Evaluated the pet nutraceutical and health food market.
- Completed opportunity studies and investigations in partnership with Alberta Economic Development and the Alberta Cattle Feeders Association related to further value added meat processing.
- Provided additional staffing resources to support the growth of the meat processing industry. Worked with meat processors in Alberta to address management, marketing, processing and regulatory issues to enhance the sector's competitiveness.

Strategy

Facilitate the development of new value-added products and technologies for use by Alberta's industry.

Results

- Identified and provided due diligence in defining potential market opportunities for Alberta fruit wines for industry submission to the Alberta Gaming and Liquor Commission.
- The $4.0 million expansion of the Food Processing Development Centre was completed in 2001-2002.
- Five new technologies were adopted by Alberta processors.
- 113 new food products were developed and introduced to the market.
- Two new food processing companies were established and one processing company expanded to accommodate a new product line. The Food Processing Development Centre assisted these companies in the development of new food products.
- All crop production-related research in the crop sector was dedicated to producing a sufficient quantity of high quality grains, oilseeds and other crops to provide the feedstock for further value-adding in the province.
- Collaborated with the Centre for Agro-Industrial Technology and the Alberta Pulse Growers to evaluate a wide range of field pea breeding lines for valuable constituent components.
- Collaborated and delivered a series of seminars on "The Business of Beef Cattle – Engage the Change from Commodity to Value Added." Raised producer awareness of alliances and branded beef programs for producers to target production to higher quality products that satisfy consumer demand and increase profitability.

Strategy

Partner with others to enhance skills and pursue opportunities for value-added processing.

Results

- Five registered barley varieties have been selected as potential pearling varieties for the Japanese Shochu market. A calibration was developed for rapid classification of barley lines for color, pearling quality and pearling score.

- Released a new windows version of Cow Chips that is more user friendly and allows producers the opportunity of incorporating "adding value" to their beef operation.
- In partnership with the Alberta Food Processor's Association, developed a leadership development training program for the agriculture processing industry. The first five-module program designed for business competency and leadership training was completed with 20 industry participants.
- Completed a needs assessment, in partnership with the Alberta Food Processor's Association, to identify training needs for production workers in the agriculture processing industry.
- To facilitate business skills in the industry, offered seven workshops on retail product pricing and marketing food products.

Strategy

Work with industry to establish supply and value chain linkages.

Results

- Assisted the Alberta barley industry with identifying a desired future, identifying key issues and developing a joint action plan to foster growth of the barley industry.
- Established a Value Chain Initiative in partnership with the Agriculture and Food Council. This initiative resulted in the secondment of a staff member to the council and the appointment of two staff members as value chain specialists. Staff developed a *Value Chain Handbook* and are working with several developing value chains.

Measure

Dollars invested in value-adding in Alberta

Strategy

Encourage new and expanded investment in value-added processing.

Results

- Facilitated three new capital projects with a total investment of $27 million. In addition, staff continued to support several previously announced projects in progress, representing over $95 million of private sector investment at various stages of planning and construction.
- Continued to increase awareness of opportunities in agri-food in Alberta. A total of 24 new clients representing over $445 million of new projects were identified and information/analysis provided.
- Conducted transportation costing studies to evaluate Alberta's competitive position to supply western North American markets with refrigerated as well as dry packaged agri-food products.
- 10 outgoing investment attraction missions were completed focused on agri-processing opportunities with over 80 investor contacts established.
- 17 incoming investment missions were assisted, representing investors from North America, Asia and Europe evaluating opportunities in a number of sectors, including meat processing, agri-industrial products and frozen foods, among others.
- Disbursed over $7.8 million of grant assistance to municipalities under the Municipal Industrial Wastewater Infrastructure for Agricultural Processing Program for projects previously approved to accommodate agricultural processing developments in Alberta.
- Agriculture Financial Services Corporation facilitated $135 million in value-added investment to the agri-industry, and provided 98 value-added businesses with financing.

- Alberta Opportunity Company (AOC) provided $39.6 million in loans and $2.9 million in loan guarantees to Alberta small business in 2001-2002. AOC completed the year with an operating profit of $6.2 million, after the government operating grant of $5.6 million, resulting in a net funding surplus of $0.6 million.
- AOC borrowers had an overall economic impact on the Alberta economy of $805 million in revenues and $126 million in exports. AOC borrowers also employed more than 6,200 Albertans, with a payroll of $182 million.

Goal 3

Goal 3 expenditures total $11.6 million. Industry development project expenditures comprised $9.2 million of the balance. In particular, support for animal and plant industry initiatives consumed $7.0 million.

Ministry Goal #3

Increased diversity of commodities products and services

Measure

Value of production of non-traditional commodities and products

Strategy

Facilitate the development of alternative uses of agricultural products.

Results

- Evaluated native/bush fruit, herbal and medicinal plant production and provided growth projections, market and developmental opportunities.
- "Diversification Ventures" website at www.agric.gov.ab.ca/diversify was developed providing an excellent resource for clients on agricultural diversification and value added.
- An Organic Business Team was formed to coordinate departmental efforts to support organic industry growth. The team focused on organic livestock market development and expanded its mandate to natural products, including natural beef and pork. The team will be focusing partnership with organic industry players and Alberta Economic Development to expand domestic and international market opportunities.

Strategy

Ensure the development of technology and knowledge to assist industry diversification.

Results

- Published and distributed information on medicinal herbs, grass seed production, meat goat production, honey production, country vacation enterprises, bison production, industrial hemp, commercial Echinacea, small fruit production, agri-tourism, special crops, sugar beets, commercial beef niche markets, triticale, common buckwheat, organic production and marketing, commercial greenhouse production and fresh water aquaculture.
- Produced video on bison handling in cooperation with the Alberta Bison Association.
- Developed and delivered management benchmarks and research information to producers about major crops and livestock production through the AgriProfits initiative for reference and decision-making.
- Provided a web-based crop budgeting tool designed to help crop producers make sound economic and agronomic cropping choices.
- Completed "The Economics of Production and Marketing of Greenhouse Crops in Alberta" study: results are used by extension greenhouse specialists, Agriculture Financial Services Corporation, financial institutions, potential investors and other agencies.
- Partnered with the Alberta Research Council and the greenhouse industry in developing and adapting energy efficiency technologies and management practices.

- In partnership with Agriculture and Agri-Food Canada, initiated a comprehensive applied research and demonstration program at the Canada/Alberta Irrigation Crop Development Centre near Lethbridge to encourage commercialization of new irrigation technologies and cropping practices in Alberta.
- Partnered with Agri-Vantage in development of a research and development strategy for diversifying crop and livestock production and processing.
- Conducted a feasibility study for expansion of the triticale industry and implemented recommendations.
- Continued development of new triticale varieties.
- Evaluation of forage breeding material submitted by industry to the Western Forage Testing program resulted in the registration and recommended use of four alfalfa varieties. An additional eight alfalfa varieties were submitted for registration in November. This outcome benefited both the livestock producers by providing improved forage material and the seed producers whose options have expanded for providing seed of these newer varieties.
- Five new tame species of grasses are being produced in the province that were not grown ten years ago, with a combined acreage of up to 30,000 acres. Over 20 seed companies from Canada, the USA and Europe support aspects of the research and now contract seed acres not only in the Peace Country but also in southern Alberta under irrigation.
- In 2001, mustard acreage in Alberta was 60,000 acres. Mustard research has greatly increased producer ability to successfully grow this opportunity crop at reduced risk in southern Alberta.
- Potato agronomy has re-established a research program, gained credibility and is beginning to attract funding from industry for research into areas of concern.
- A new field pea cultivar developed by the Ministry has huge potential due to its high yield potential and excellent disease resistance.
- Chickpea acreage increased from 4,000 acres in 1998 to over 90,000 acres in 2001. Chickpea research has greatly increased producer ability to successfully grow this new pulse crop at reduced risk in southern Alberta.
- Over 299 scientific publications were produced from the crops area including 49 papers published in scientific journals, 77 publications in conference proceedings, 126 scientific reports and technology transfer publications and 47 miscellaneous publications.
- Over 100 landowners/land managers received information and consultation pertaining to the management of private woodlots and agro-forestry practices. Several municipalities and counties have worked with the Ministry to identify the potential from managing woodlots on municipal land.
- The Alberta Agri-tourism Directory includes over 300 rural tourism operations including accommodations, recreation opportunities, activities and farm-marketed products throughout Alberta. The focus on the directory is on "on farm" products and services.

Strategy

Encourage focused research on market opportunity, product development and production adaptability.

Results

- An agreement between Agriculture and Agri-Food Canada and the Ministry contributed to a new pulse breeding initiative that will develop adapted pulse crop cultivars with unique characteristics for the province. The new cultivars will provide additional market and diversification opportunities for a successful and rapidly expanding industry.
- Evaluated the Waygu-beef market potential to Japan and the US.

- Worked with Alberta Economic Development to identify market opportunities and link buyers with Alberta's meat processors. In November 2001, a mission to Japan focused on marketing value added meat products to Japanese distributors. Products from Alberta processors were distributed to potential buyers, and staff met with these buyers to discuss opportunities and product ideas.
- Conducted market/consumer assessments of niche crop opportunities including vegetables for the restaurant industry, organics, medicinal herbs and essential oils.
- Conducted a benchmark survey of farm level characteristics of the organic crop and livestock industry in Alberta.
- Partnered in a study on the future direction of "identity preserved" systems and discussed the study findings and recommendations with all segments of the crop industry: farmers, processors, marketers, transporters and those involved with handling and storage.
- Continued development of testing technologies for application to analysis of marketable constituents and components in crops. Calibrations were developed for over 40 characteristics.

Strategy

Support the agriculture industry to take advantage of emerging life sciences opportunities.

Results

- Conducted preliminary market assessment of biopolymers that led to successful funding of a broader research project.
- Made a significant contribution to the cross government initiative that developed the Alberta Life Sciences Strategy.
- Collaborated in a nationwide government initiative to develop a comprehensive life sciences economy strategy.
- Provided a major provincial contribution in the development of the science component of the Ag Policy Framework.

Measure

Value of processing in non-traditional commodities and products

Strategy

Support the development of functional foods and industrial products

Results

- Determined key consumer trends and analyzed nutraceutical and wellness markets, including preliminary feasibility of conjugated linoleic acid-enriched products.
- The Centre for Agri-Industrial Technology was established and equipped with new processing equipment.
- Participated in the review of Alberta's fuel ethanol policy.
- Supported a multi-government departmental study to investigate the feasibility of bio-diesel production in Alberta.
- Provided consultation and collaboration with Alberta Economic Development on a study called "The Plastics Market Opportunity Study" that looked at the plastics processing/converting industry in Alberta to identify gaps in the supply chain between the processors and the market. Opportunities in packaging agricultural and food products/oil and gas exploration plastic product(s) applications were assessed.

Ministry Goal #4

Increased capability of industry to manage business risk and capacity to manage change

Measure

Increased use of new and existing marketing, processing, production and financial risk management information and tools by the industry

Strategies

Provide Alberta's agriculture and food industry with unique financial products and services.

Results

- Alberta Feeders Association program delivery resulted in 333,898 cattle financed, utilizing credit of approximately $256 million, for an average value of $767 each.
- Agriculture Financial Services Corporation (AFSC) authorized $123.2 million in direct farm loans (including 876 Beginning Farmer Loans for $113.6 million).
- AFSC facilitated $170.5 million in value-added investment to the agri-industry and provided 122 value-added businesses with financial services.
- Partnered with local community organizations (Agriculture Societies, Continuing Education Councils) to deliver financial management training in 25 courses to over 200 clients in rural Alberta, helping them to obtain the skills and tools to make choices contributing to individual achievement.
- Developed and released a financial planning tool for use by farmers and lenders for more effective planning and analysis of farm operations. The software has been adopted by three major lenders as their operational standard.
- Delivered agricultural tax update program to over 800 accountants and lawyers, providing them with new tools to assist their clients in improving capacity to manage risks.

Strategies

Ensure the availability of appropriate risk management tools and related training for Alberta farmers.

Results

- AFSC provided crop insurance coverage on 75 per cent of total eligible Alberta farm acres with a liability of $1.64 billion.
- AFSC introduced crop insurance changes including an expanded satellite-based pilot native forage program, an area-based pilot cereal silage program, a province-wide lack of moisture forage insurance program, changes to high protein wheat, canola, potatoes, chickpeas and bean programs.
- The Alberta Grain Commission worked with the Farmers' Advocate office to increase awareness among Alberta farmers of the risk of selling grain to unlicensed buyers.
- Developed and maintained an econometric model to forecast Farm Income Disaster Program (FIDP) payments. Provided quarterly estimates to AFSC for budget forecast purposes. Continued to provide industry average margins to AFSC for assessing entitlements on FIDP applications for beginning farmers.
- Initiated the establishment of "DroughtNet," including 34 weather stations, to monitor weather and soil moisture to support implementation of the Alberta Drought Risk Management Plan.

Goal 4

Risk management expenditures comprised $972.9 million of the Ministry's expenses. These expenditures include farm income support payments, insurance indemnities, lending expenses, rural development initiatives and farm fuel distribution allowance payments.

- Created a website to provide farmers with tools to mitigate and recover from natural disasters such as flood or drought.
- In co-operation with Olds College, delivered integrated business management training through the Competitive Advantage Program for Agriculture to 22 people: it was a 10-day intensive integrated management program.

Strategies

Encourage farmers and agri-business to make changes and/or adjustments to ensure long-term viability

Results

- $22.3 million in funding was provided to producer-directed Industry Development Funds (Livestock $11 million, Crops $11.3 million to support research, development and education that strengthen the long-term viability of the industry.
- Hosted a successful conference on "Growing Global – Organic and New Crop Opportunities."

Strategies

Facilitate the development of rural human capital in businesses, organizations and communities through partnerships and targeted programs.

Results

- $1.3 million in funding was provided to the Business Risk Management Industry Development Fund (Agriculture and Food Council) to strengthen the development of business, risk management and leadership skills among Alberta farmers and ranchers.
- Supported the development of human capital in rural Alberta through delivery of the Summer Temporary Employment Program: Agricultural Processing – $410,000 supported 23 students; Veterinary Work Experience Program – $107,000 supported 65 students; Summer Farm Employment Program – $273,000 supported 338 students.
- Facilitated the delivery of the Green Certificate program to 700 high school students and 100 adults. Delivered 1,661 home study courses to 1,613 clients.

Measure

Resolution of policies and regulations that increase risks or constrain industry's ability to manage risk

Strategies

Advocate for changes to or removal of policies and regulations that increase risk or constrain industry's ability to manage risk.

Results

- Played a leadership role in providing input to the Federal/Provincial/Territorial discussion on developing a new National Agricultural Policy Framework.
- Provided an integrated package of economic and business management benchmarks, information and technology for producers to assess risk enabling them to develop "on-farm" risk management strategies and measures.

Measure

Government program payments as a per cent of farm cash receipts

Strategies

Ensure the effective development, design and management of appropriate safety net programs.

Results

- Worked with federal and provincial stakeholders to conduct, investigate and analyze safety net programs.
- Policy development based on policy evaluation and review was implemented. Alberta is often the leader in Federal/Provincial/Territorial safety net policy.
- Successfully implemented the Canada Alberta Farm Income Assistance Program announced April 2001 – $10.29 per acre on acres cultivated in 2000. The program provided nearly 50,000 applicants with about $292 million from Canada and Alberta.
- Continued year 2000 Farm Income Assistance Program (FIAP) payments.
  - FIAP $3/acre native pasture – paid 11,284 applicants nearly $32.2 million.
  - FIAP $4.29/acre cultivated – paid 73 applicants just over $134,000.
  - FIAP $6/acre cultivated – paid 622 applicants about $806,000.
  - Energy rebates (irrigation, greenhouse and alfalfa dehy processors). Paid 908 applicants $9.7 million.
- Successfully implemented drought response programs announced in June 2001.
  - FIAP ($4.00 per acre on native pasture) with 21,743 applicants receiving just over $59.3 million.
  - FIAP honey. Paid 260 applicants close to $900,000.
  - The Alberta Farm Water Program provided 2,889 applicants with $5.4 million for eligible projects.
- The Alberta Farm Fuel Benefit provided approximately $80 million dollars in fuel tax exemption and a further $31 million via the Alberta Farm Fuel Distribution Allowance.
- Developed and received Cabinet approval for the Alberta Drought Risk Management Plan to be implemented in 2002-2003.
- Completed the producer survey pertaining to the 1999 Farm Income Disaster Program:
  - 614 producers who applied for the benefit were surveyed by telephone to assess effectiveness.
  - 201 farmers from the Alberta Farm Fuel Benefit database were surveyed by telephone to assess awareness and understanding.
  - Over 89 per cent of those surveyed indicated that the Farm Income Disaster Program (FIDP) payment permitted them to continue operating the farm the same way after a disaster.
  - Less than 7 per cent of the producers stated that they changed their marketing and production decisions because of FIDP.
  - Over 60 per cent of the producers indicated that they were satisfied with the turnaround time to process their claim.
- Agriculture Financial Services Corporation (AFSC) paid approximately $274 million in crop insurance indemnities, of which $50 million was paid by private reinsurance companies.
- AFSC paid about 4,200 applicants $131 million in 2001-2002.

Strategies

Ensure the availability and access to appropriate government emergency service plans in response to any designated weather disaster that has adversely affected Alberta farmers and agri-business.

Results

- Delivered just over $191,000 in further benefits to those farmers affected by the Pine Lake Tornado weather events.
- Processed five applications under the Central Alberta Flood Disaster Recovery Program for a total of nearly $10,000.

Goal 5

Goal 5 expenditures total $18.2 million. The majority of these expenditures were incurred in the areas of environmentally sustainable agriculture, conservation and development and various legislative initiatives such as the work conducted to amend and implement the Agricultural Operation Practices Act for confined feeding operations.

Ministry Goal #5

Improved environmental stewardship

Measure

Land productivity index

Strategy

Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.

Results

- Developed Manure Calculator Software "Marc 2002" to help the livestock industry better plan and manage nutrients for land application.
- 31 scientific publications were produced from environmentally sustainable research findings: 8 papers published in scientific journals; 17 scientific conference documents and 6 major scientific reports.
- Guidelines were developed for land application of municipal solid waste from the Clover Bar Composter from research conducted in collaboration with the City of Edmonton.
- Conducted feasibility research, in collaboration with the Olds College Centre for Innovation, on an innovative fertilizer material that uses environmentally friendly resource material and production methods.

Strategy

Support and transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable.

Results

- Worked with the Alberta Environmentally Sustainable Agriculture (AESA) Council to provide funding support to 34 groups and 57 municipalities for the delivery of 618 technology transfer projects.
- Completed the development of, published and distributed nutrient management tools including beneficial management practice manuals and a nutrient management curriculum.
- Provided economic and business management information to primary producers for assessment of sustainable agricultural production practices.
- Developed landscape dynamics models to provide strategies for managing variable topography to optimize crop production and minimize environmental impacts.

Strategy

Determine the effect of agricultural production and processing operations on soil, water and air quality.

Results

- Completed the fourth year of monitoring 43 benchmark sites in the agricultural areas of Alberta and projects on soil risk assessment, database development and soil quality assessment.
- Developed models for producing wind and water erosion risk maps for agricultural lands.
- Initiated a livestock odour research program to quantify odour measurement, evaluate methods of monitoring and analysis, and evaluate odour control technologies.

Strategy

Provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air resources.

Results

- Supported the development of a made-in-Alberta "Environmental Farm Plan" Program in partnership with industry, and procured over $1.8 million in funding over 3 years to deliver the program in Alberta.

Measure

Water quality index for agriculture (small streams)

Strategy

Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.

Results

- In partnership with several other agencies, completed the North Saskatchewan River Basin Study to determine the source and prevalence of protozoan pathogens.
- Completed the fourth year of the Oldman River Basin Water Quality Initiative to assess and mitigate the adverse impacts of urban and rural activities on water quality in the basin.
- Conducted applied research to determine the potential impacts of intensive livestock management on surface and groundwater quality.
- Continued developmental work to establish soil phosphorus limits for all agricultural lands within Alberta.

Strategy

Support and transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable.

Results

- Completed an interactive map and CD-Rom containing water quality monitoring data, water quality index maps, surface and groundwater vulnerability maps and various fact sheets, to help manage and direct sustainable agricultural development.
- Provided on-farm technical expertise under the Alberta Farm Water Program, to help producers develop and maintain long term water supplies on their farms.

- Developed and distributed a workbook *Quality Farm Dugouts*, which provides a systems approach to improving quality and quantity of on-farm surface water supplies (7,000 copies distributed in Alberta).
- Initiated the development of producer-driven Water Management Groups in the Oldman River Basin, to promote the adoption of beneficial management practices by irrigation and livestock producers.

Strategy

Determine the effect of agricultural production and processing operations on soil, water and air quality.

Results

- Continued to monitor 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impact of the agricultural industry on surface water quality, and prepared a provincial report rating the water quality for low, medium and high intensity agricultural areas.

Strategy

Provide clear direction through guidelines, standards and regulations of environmental performance requirements to sustain the quality of Alberta's soil, water and air resources.

Results

- Completed the "Sustainable Management of the Livestock Industry in Alberta Report and Recommendations," which recommended the process for regulating how confined feeding operations are sited and monitored.
- Completed amendments to the *Agricultural Operation Practices Act* dealing with confined feeding operations (legislation and regulations passed in fall 2001 session of the Legislature).

Strategy

Encourage optimal and sustainable management of water resources available to the agri-food industry.

Results

- Worked with Alberta Environment in the development of a Water Management Plan to facilitate water transfers within the South Saskatchewan River Basin.
- Completed a five-year study ("Irrigation in the 21st Century") to evaluate existing and potential irrigation water use within the 13 irrigation districts, which will enable informed decisions regarding water management and expansion options.
- Collaborated with several irrigation districts to develop a leading edge flow measurement and water use tracking system, which will help improve the management of limited water supplies.
- Worked with the irrigation districts and water users in the Oldman River Basin to develop an effective water sharing program under water rationing conditions.
- Effectively managed a record year for the Water Pumping Program (1,350 clients pumping 2.5 million cubic metres of water) to supply livestock and domestic needs.

Ministry Goal #6

Continued excellence in food safety

Measure

Incidence of food safety problems

Strategy

Respond quickly and effectively to food safety problems.

Results

- Handled food safety issues and achieved a coordinated response for Alberta products in partnership with the Canadian Food Inspection Agency and Alberta Health and Wellness (all members of the Canada Alberta Partners in Food Safety). A functioning Emergency Response plan was developed.
- Successfully prosecuted food safety infractions that included the sale of raw milk, un-inspected eggs and meat as well as the illegal operation of an unlicensed abattoir.
- Contributed to meat safety through the condemnation of carcasses or portions of carcasses at abattoirs and withheld routine inspection services if serious infractions were noted.

Strategy

Develop and maintain targeted food safety surveillance systems that validate the safety of Alberta's agriculture and food products.

Results

- Implemented surveillance systems and developed information validating the safety of Alberta's agriculture and food products. Project examples:
  - Meat Product Safety
  - Pork and Honey Drug Residue
  - Transmissible Spongiform Encephalopathies
  - Antimicrobial Resistance of *Salmonella* in Swine
  - *E. coli* in Meat Plants
  - *Salmonella* in Finishing Swine
  - *Campylobacter* in Broilers and Retail Products
- Developed residue and rapid pathogen detection methodologies to support food safety surveillance and promotion of the safety of Alberta's agri-food products.
- Provided required diagnostic services in support of food and animal industries in areas of food microbiology, veterinary toxicology and veterinary microbiology.

Strategy

Develop and administer essential policy and legislation.

Results

- Inspected over 4.1 million carcasses from Alberta licensed red meat and poultry plants to ensure that food safety standards in meat products were met.
- Ensured compliance within regulatory requirements by investigating over 500 incidences of food safety complaints, providing information and proceeding with prosecution if appropriate.

Goal 6

Expenditures associated with food safety initiatives total $12.4 million. Expenditures were incurred to deliver agri-food surveillance, regulatory services, safe food assurance, and agri-food laboratories programs. Resources were also allocated to support emerging food safety issues.

- Continued the regulatory review process with seven regulations:
  - Meat Inspection Regulation
  - *Dairy Industry Act* and Regulation
  - Hatchery Supply Flock Approval Regulation
  - Purchase of Sale of Eggs and Egg Products Regulation
  - Production Animal Medicine Regulation (PAM)
  - Livestock Patrons Review Tribunal Regulation

  Refinements were made to the Foreign Animal Disease Eradication Support Plan and a new Wild Boar Regulation is in draft format.

Strategy

Communicate Alberta's standards for food safety to industry and consumers.

Results

- Produced and/or provided food safety information through a variety of formats (video, websites, fact sheets) to the public, media, food processors and food handlers. Specific information was provided in direct response to perceived or actual consumer confidence issues such as mung bean contamination or the one Chronic Wasting Disease case in an Alberta game-farmed elk.

Strategy

Develop additional knowledge and technology in support of safe food production.

Results

- Food Safety Division Chemistry and Biology laboratories were awarded ISO 17025 accreditation, ensuring production of targeted quality laboratory information, technical and scientific leadership and expertise.

Measure

Total production from Alberta farms that have adopted quality assurance programming

Strategy

Facilitate adoption of internationally accepted food safety systems and standards throughout the Alberta food production chain.

Results

- Continued to support 13 commodity groups (for example, beef, swine, poultry, dairy, horticulture and grain) in their move towards implementation of national On-Farm Food Safety programs.

Strategy

Strengthen the food safety knowledge and skills of people working in Alberta's agri-food industry.

Results

- Provided awareness and training in Hazard Analysis and Critical Control Point (HACCP) and biosecurity to staff, agri-food industry personnel and the public.
- Developed a Meat Inspection Training program and ran a program pilot with the introduction of three new trainees.

- Certified 146 individuals under the Production Animal Medicine Regulation. Certification provides assurance that lay staff involved in the sale of drugs in licensed retail outlets have sufficient knowledge about the products being sold to ensure they are used in a safe and responsible manner.
- Continued development of staff expertise in food safety, HACCP and quality assurance systems through staff attendance at international conferences and training opportunities.

Measure

Per cent of production from Alberta food processing plants that have adopted the Hazard Analysis Critical Control Point (HACCP) program

Strategy

Facilitate adoption of internationally accepted food safety systems and standards throughout the Alberta food production chain.

Results

- Helped companies understand how to validate and verify their HACCP programs by partnering with food processing, distributing and retail industry in research and knowledge transfer initiatives.
- Assessed all 144 provincially licensed red meat and poultry abattoirs for high, medium and low priority food safety risk factors. Correction and compliance for high-risk items, as defined by the Meat Facility Standards, was achieved. Processes were developed to ensure medium risk factors were dealt with in a timely fashion and compliance with the Meat Facility Standards (HACCP prerequisites) is maintained.

Ministry Goal #7

Improved management of the Ministry's resources

Measure

Percentage of training fund directed to core competencies

Strategy

Continue to improve business planning and implementation, the use of information technology, human resource development planning and programming, and fiscal responsibility and accountability.

Results

- 86 per cent of personal workplans were developed and performance evaluations completed in conjunction with the business planning process.
- Participation in developmental assignments, post-secondary enrollments, internship, educational leaves and work experience placements and secondments were encouraged. Total departmental training days exceeded 3,000, and Agriculture Financial Services Corporation delivered 1,475 training days and supported 38 staff in attending programs at post-secondary educational institutions.

Goal 7

Expenditures incurred to manage the Ministry's resources total $22.4 million. The costs for the delivery of key administrative functions including financial services and facilities management, human resources, and information technology as well as transactional service delivery purchased from the Alberta Corporate Services Centre are allocated to this goal.

- Managers were provided information for succession planning, in part through attendance at sessions on coaching and mentoring.
- 27 staff attended the Leaders' in Agriculture course, designed with the Banff School of Management, focusing on the development of leadership qualities, and 61 staff participated in the face-to-face leadership course.
- Staff participated on departmental, Ministry and cross-government teams and assumed leadership roles when appropriate. Contributions were recognized via performance evaluations and the dissemination of team achievement updates throughout the Ministry.

Strategy

Integrate planning and program development with other ministries and the Alberta Corporate Service Centre.

Results

- Staff were encouraged to and actively participated in workshops, conferences, and completed technical training by private sector companies and the Alberta Corporate Service Centre that contributed to improving skill sets in the core competencies, market research, systems planning, project management and leadership.
- The department fostered employee involvement and ongoing communication through the development of individual work plans that were linked to the department business plan.
- The department's succession plan is integrated with the Corporate Human Resource Development plan.
- 88 per cent of department staff indicated that the department provided the support they needed to acquire or develop knowledge and skills in their current jobs.
- 81 per cent of department survey respondents indicated that the department provided support to help them acquire or develop knowledge and skills that would make them more competitive in the job market, ensuring they have the versatility required to enhance their employability.

Measure

Results from staffspeak survey

Strategy

Continue to improve business planning and implementation, the use of information technology, human resource development planning and programming, and fiscal responsibility and accountability.

Results

- 75 per cent of survey respondents indicated that the department helped them keep informed about any changes to their jobs or work environments.
- 61 per cent of survey respondents indicated that the department asked for employee input when they plan business improvements.
- In the 2001 survey of employees of the Government of Alberta, 92 per cent of department survey respondents indicated that they were very or somewhat satisfied in their work as Government of Alberta employees.
- Agriculture Financial Services Corporation employee satisfaction was 89.4 per cent.

Measure

Budget targets met

Strategy

Continue to improve business planning and implementation, the use of information technology, human resource development planning and programming, and fiscal responsibility and accountability.

Results

- An infrastructure management system was implemented to optimize the use of provincial financial resources allocated to irrigation infrastructure rehabilitation. 50 per cent of the required baseline data on condition, utilization and functional adequacy for irrigation district owned infrastructure was collected in collaboration with the 13 irrigation districts by March 31, 2002. The balance of the data will be collected by March 31, 2003.
- Work has focused on the development of various internal databases to support the monitoring of projects, programs and business plan reporting. Development work on a corporate system will be initiated in 2002-2003.
- By March 31, 2002, server-based access to government corporate standard Microsoft office products through "thin on fat" technology was established. This initiative is viewed as a pilot project for implementation across government and is expected to result in significant information technology savings over the long-term.
- Application re-engineering initiatives were completed for electronic payments, procurement card access and various other in-house systems.
- Ministry agencies completed Memorandums of Understanding with the Minister, confirming mandates, reporting relationships and accountability expectations (as recommended in the April 30, 2001, Review of Agencies, Boards and Commissions and Delegated Administrative Organizations).
- Business plan changes implemented provided greater clarity to Ministry businesses, goals and strategies.

Strategy

Integrate planning and program development with other ministries and the Alberta Corporate Service Centre.

Results

- Ministry representatives participated on the interdepartmental negotiating committee and contributed to the formulation of agreements between the government and the Siksika and Peigan Nations regarding water development and irrigation projects.
- In partnership with the Alberta Corporate Service Centre, ensured that corporate services provided to the department met the standards established in service level agreements.
- Through participation on cross-government committees and working groups, made significant contributions to the development of service level agreements, role identification, best practices initiatives and business process re-engineering.
- A departmental representative served on Rural Education and Development Association's Youth Advisory Committee to achieve leveraging of resources and programming.
- Department staff participated in the Service Alberta initiative through contributions to the Service Alberta Advisory Committee, Quality Customer Service Committee and Web Development Committee.

- Partnered with Alberta Environment in delivering a registration process that resulted in 32,000 farm registrations under the Water Act.
- Collaborated with the Alberta Departments of Environment, Municipal Affairs, Health and Wellness, Justice and the Natural Resources Conservation Board to prepare the *Agricultural Operation Practices Act* amendments and regulations.
- Co-chaired the development of the government's Knowledge Management Framework.
- Collaborated with Alberta Environment on the amendments to the *Irrigation Districts Act.*
- Departmental personnel were involved in the development of a departmental Business Resumption Plan. Various work teams and plans have been created to assist at all levels in the event of any business disruption.
- Worked closely with Alberta Economic Development on a number of market opportunity assessment and export projections, and clarified and aligned roles and resources to support joint interests in collection, analysis and publication of agri-food trade data. Alberta Economic Development is taking the lead in publishing trade data, and the departments share databases and cooperatively support internal and external data requests.
- Further supported the Natural Resources Conservation Board in delivering the new Confined Feeding Operations legislation through allocation of space, equipment and administrative support.

Strategy

Develop and maintain partnership alliances for the better integration of human and fiscal resources.

Results

- Led outgoing investment attraction missions to central Canada and the mid-west U.S. Investment opportunities in the value-added grains processing sector were presented to the executives of major agri-food companies.
- Worked with Alberta Learning on "Agriculture in the Classroom" projects.
- Collaborated with Environment and federal agencies on regulatory issues related to pesticides and pest management.
- Completed profiles and benchmark studies in collaboration with Alberta Greenhouse Growers Association, Fruit Growers Society of Alberta, and Landscape Alberta Nursery and Trade Association with funding from the Agriculture and Food Council under the Canadian Adaptation and Rural Development Fund. Through these studies, findings will be determined about the industries' activities, concerns, information needs, pricing and marketing challenges.
- Developed partnerships and working collaborations with producer groups, private sector companies, universities, research networks, etc.
- Started and supported an Edmonton area knowledge management network for government, industry and academics.
- Agriculture Financial Services Corporation established internship programs with University of Alberta faculty of Science (Industrial Internship Program, Mathematics, for research) and the Canadian University College.
- Agriculture Financial Services Corporation shared training opportunities with other major crown corporations.

Measure

Results from client survey

Strategy

Continue to improve business planning and implementation, the use of information technology, human resource development planning and programming, and fiscal responsibility and accountability.

Results

- Re-designed a number of business processes to give clients web access to program services, including on-line information payment and fee payment for game farming as well as priced department publications. A wide variety of program and service forms are available on line to be downloaded or for on line completion and submission, and on line tests are used to help screen prospective 4-H leaders.
- The department's web site, "Ropin' the Web," was rated the best Alberta Government web site for the third consecutive year by an independent survey, and usage increased by 47 per cent to 2.5 million visitors a year.
- Development work was done to move Ropin' the Web to Lotus Domino computer technology, allowing automated workflow for content management, the development of an improved information taxonomy and much broader distribution of information and data input by staff, thereby making it easier to use for customers and improving the efficiency of content creation and management.
- A review of the operations of both the Agriculture Financial Services Corporation (AFSC) and the Alberta Opportunity Company (AOC) was completed. Introduced new legislation formalizing the merger of AFSC and AOC, which will save approximately $1 million annually.
- Agriculture Financial Services Corporation began the development of a web site that will put in place the future capability for the corporation to conduct business electronically.
- Agriculture Financial Services Corporation implemented changes to the Farm Income Disaster Program system, halving its internal response time.
- Agriculture Financial Services Corporation commenced rebuilding its Loan Origination Amendment System, integrating farm loan analysis tools and insurance applications.
- Agriculture Financial Services Corporation's customer survey reported satisfaction rates for delivery of insurance programs at 96 per cent and Farm Lending programs at 95.5 per cent.
- Responded to all Freedom of Information and Protection of Privacy (FOIP) requests within legal time limits. Presented FOIP general awareness training to new staff and to specific groups on demand.

Strategy

Develop and maintain partnership alliances for the better integration of human and fiscal resources.

Results

- The planning and consultation phases of the Industry Development Sector Reorganization were completed. The process involved consultations with staff, clients and Members of the Legislative Assembly and will create a more responsive, flexible organization that is better able to focus on the growth of the agriculture and food industry. The Minister provided approval to proceed with the implementation, which will be completed in 2002-2003.

Cross Ministry Initiatives

Cross government cooperation was shown through participation in four key cross ministry initiatives. These were undertaken in recognition of the fact that a number of issues engage the resources of several ministries at once.

- Seniors Policy Initiative
- Aboriginal Policy Initiative
- Children and Youth Initiative
- Economic Development Strategy

Seniors Policy Initiative
Strategies
• Seniors will be able to remain on their farms or in rural communities, if they choose to do so.
Targets
• The department will monitor the participation of seniors in department support and safety net programs and identify where changes can be made to assist seniors in expanding their choices.
Results and Highlights
• The department conducted a survey of farmers at random to determine the effectiveness of the Farm Income Disaster Program.
• Farmers with more than 40 years of farming experience had the same level of awareness and understanding of the program as the farmers with less experience.
• The senior group found the program to be more useful in recovering from a low-income year and more effective in meeting financial obligations, because of their higher equity position.
Aboriginal Policy Initiative
Strategies
• Increase the collaborative participation of Aboriginal governments, organizations and people in the design and delivery of programs and services.
• Work with Aboriginal organizations and industry to develop consultation strategies with respect to development on Crown land.
Targets
• The department will conduct a review to determine the degree of accessibility and extent of usage of department programs by Aboriginal Albertans in comparison to others. The final report and recommendations will be completed in 2002.
• The department will participate and report on those initiatives where significant support was provided.

Aboriginal Policy Initiative (continued)

Results and Highlights

- Review is part of a larger consultation process being undertaken by Aboriginal Affairs and Northern Development.
- The department identified issues regarding access by aboriginal people to government acreage payment programs. New levels of contact and relationships were established between the department and aboriginal stakeholders to ensure that aboriginal people could apply for and receive program benefits on the same basis as other applicants.
- To further facilitate access to programming, an Aboriginal Call Center was established to be fully operational in 2002-2003.
- With the government organization changes on March 15, 2001, the department's responsibility with respect to development on Crown Land was transferred to Sustainable Resource Development.

Children and Youth Initiative

Strategies

- Further develop adult to youth mentoring opportunities.

Targets

- Identify potential alliances between Alberta 4-H, AADAC, and Children's Services to further develop adult to youth mentoring opportunities.
- Through Alberta 4-H, provide resources in support of the June 2001 Youth Career Conference organized by Alberta Human Resources and Employment and other partners.

Results and Highlights

- In support of AADAC, reviewed educational materials and served as a consultant in the planning of a community based program targeted at rural youth engaged in risk-taking behaviors, like driving while impaired.
- Provided delegates to the government's Children's Forum in Calgary.
- Participated in the newly formed Alberta Mentoring Partnership, a coalition of public and private agencies.
- Assisted in Youth Careers Conference.

Economic Development Strategy

Strategies

- Competing in the global market place. Continued participation in the government-wide initiative, "Get Ready Alberta."

Targets

- The department will provide examples of collaboration and business plan results.
- The department will work with Economic Development to develop a strategy for the agriculture and food sector.

Results and Highlights

- Seconded a Director to Economic Development to lead an initiative of eight departments to develop a long-term value added strategy for manufacturing and business services that will lead to increased investment in Alberta and increased Alberta exports.
- Expanding Alberta's Economy – Investment attraction services and activities of the Department and its partners and clients resulted in an increase of new projects in the planning stages of more than 27 per cent over last year.
- Competing in the Global Marketplace – Undertook a series of transportation studies to evaluate Alberta's agriculture-food industry competitiveness, which resulted in an increased awareness of agriculture-food processing opportunities in Alberta.
- Innovation – Supported studies on the use of agricultural commodities for new industrial uses, including manufacturing ethanol from grain, and participated in intergovernmental policy development on alternative fuel tax exemptions.

AUDITOR
GENERAL
Alberta

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

I have performed the following procedures in connection with the Ministry of Agriculture, Food and Rural Development 's performance measures included in the *2001-2002 Annual Report of the Ministry of Agriculture, Food and Rural Development* as presented on pages 46 to 55.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit, and therefore I express no opinion on the measures included in the *2001-2002 Annual Report of the Ministry of Agriculture, Food and Rural Development.*

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
August 2, 2002

Ministry Performance Measures

Background

In 2001-2002, economic prosperity continued in the province. Alberta Agriculture, Food and Rural Development's focus has been on this core government business of prosperity, and the agriculture and food industries in the province are key contributors.

Primary agriculture production remains Alberta's largest renewable resource-based industry. The primary sector generated $8.3 billion in farm cash receipts in 2001, which represents 22.9 per cent of Canada's primary agricultural output. Alberta farm cash receipts continue to increase relative to other provinces. During the benchmark period 1989 to 1993, Alberta averaged 20.1 per cent of Canada's primary output.

Secondary agricultural processing includes the food and beverage processing industries and is a key segment of Alberta's manufacturing sector. A new record for shipments was set in 2001 at $9.87 billion in sales. Some 13.8 per cent of Canadian food and beverage shipments are now from Alberta, up from 10.8 per cent over the 1989 to 1993 benchmark period.

Combined, the primary agriculture and the food and beverage manufacturing industries were the third largest goods-producing employer in Alberta in 2001. During 2001, employment numbers in the agriculture and food sectors averaged 82,500.

Measures Data

The data shown for the following performance measures is the most current available at the time this annual report was prepared. However, some level of uncertainty does exist in each of the measures since the data represented primarily reflects results from representative sample surveys.

Revisions to past years' measures may occur over time as better or more complete data becomes available. For example, every five years a census of agriculture is completed. The data from each new census may result in revisions to data for the "in between" years from the previous census. The results of the 2001 agriculture census have been released, but revisions, if any, were not available at the time this annual report was prepared.

All data revisions to past years' measures, and to the forecast, targets and benchmarks from the 2001-2004 Ministry business plan, are included in this report.

Note that Measure 4, "Value of shipments of agriculture and food products from Alberta to other countries," has been added to reflect a similar addition to the 2001-2004 Ministry business plan. Ministry staff developed this data series from data supplied by Statistics Canada and World Trade Atlas data. This measure illustrates the importance of out-of-country exports to Alberta's agriculture and food sectors.

The benchmark periods for these performance measures, unless otherwise specified, are averages for the years 1989 to 1993. This timeframe was chosen because it represents the typical agriculture and food output for Alberta for the past four decades. No major weather or price-related problems affected this period.

In conjunction with the move to goal-based planning for the 2002-2005 business plan, the Ministry's performance measurement framework will also be updated. The majority of the current performance measures will continue to be reported on, but as "indicators" of the relative status of Alberta's agricultural industry. More specific measures and targets will be established for each of the goals.

Performance Measures

Measure 1

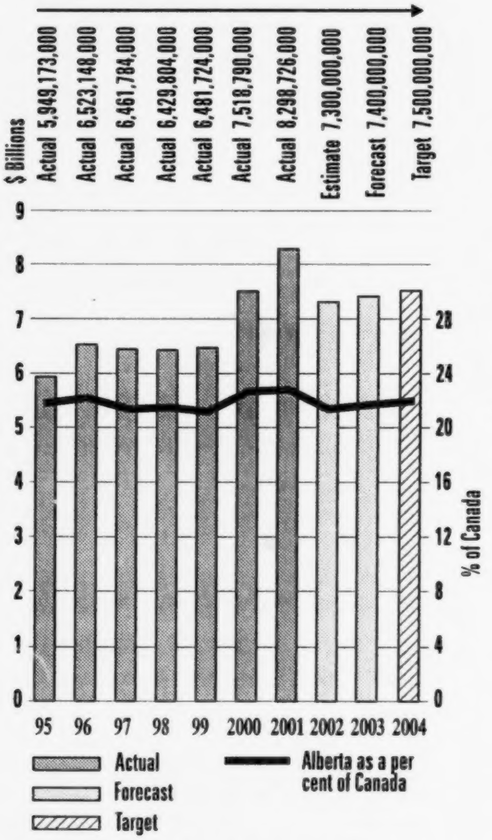
Percentage of Canadian farm cash receipts Alberta farmers and ranchers account for

The income farmers and ranchers receive from the sale of agriculture products is called "farm cash receipts." This measure shows how well Alberta farmers and ranchers are doing relative to the other Canadian farmers and ranchers they have to compete against.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  3. Increased diversity of commodities, products and services.

Measure 1
Alberta farm cash receipts



Source: Statistics Canada Catalogue No. 21-603; Alberta Agriculture, Food and Rural Development (calculations)

Since Alberta farmers and ranchers operate within the same general rules and regulations as most other Canadian farmers, the measure of Alberta's share of Canadian farm cash receipts shows, by comparison, how competitive Alberta farmers and ranchers are relative to other Canadian farmers. Alberta Agriculture, Food and Rural Development plays a major role in helping Alberta farmers and ranchers stay competitive, not only with other Canadian farmers but also on a global scale.

Benchmark

For comparative purposes, the average farm cash receipts for 1989 to 1993 form the benchmark period. This timeframe represents a relatively typical agricultural output for Alberta. Farmers and ranchers averaged 20.1 per cent of Canadian farm cash receipts during that period. The forecast in the 2001-2004 Ministry business plan was that this percentage would increase to 22.1 per cent by 2001.

Results

The actual measure for Alberta farm cash receipts for 2001 was 22.9 per cent, exceeding the business plan forecast by 13.7 per cent. Farm cash receipts from livestock in 2001 set a new record at $5.19 billion. Livestock receipts were up over $739 million (16.6 per cent) from 2000. However, farm cash receipts from the sales of crops in 2001 decreased by $71 million from 2000.

The second consecutive year of widespread drought and dry conditions across much of Alberta took a considerable toll on total crop production. Total output of the major crops was 20.6 per cent below the previous five-year average. This output combined with continued poor commodity prices for crops and resulted in lower incomes.

Measure 2
Net cash income of Alberta farmers and ranchers

"Net cash income" is the amount of cash farmers and ranchers have remaining after farm cash operating expenses are subtracted from farm cash receipts. Operating expenses do not include depreciation or the value of inventory change.

Net cash income is the amount of cash remaining that is used to cover the non-interest part of mortgage payments, purchase capital items, meet living expenses, accumulate savings and cover other non-farm expenses. This measure reflects how well farmers and ranchers are coping with the cost/price squeeze caused by higher input costs and lower returns.

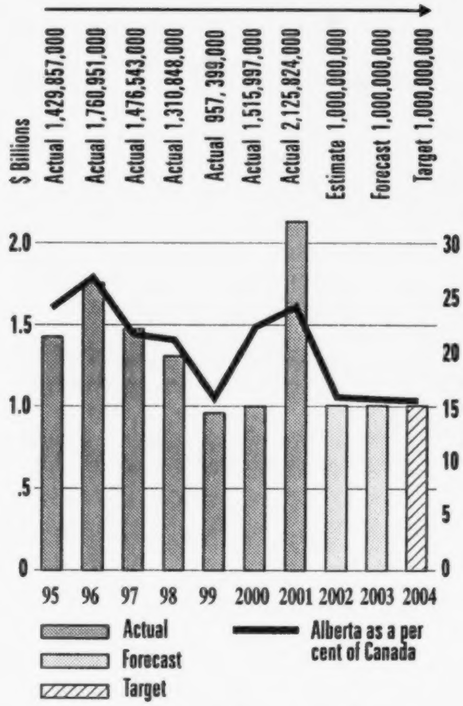
Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  3. Increased diversity of commodities, products and services.
  4. Increased capacity of industry to manage business risk and capacity to manage change.
  5. Improved environmental stewardship.
  6. Continued excellence in food safety.

Benchmark

The benchmark for comparative purposes, the average net cash income for 1989 to 1993, represents a period of relatively typical agricultural output for Alberta. Alberta farmers and ranchers averaged 19.3 per cent of Canadian net cash income during that period. The forecast in the 2001-2004 Ministry business plan was that this percentage would be 17.2 per cent by 2001.

Measure 2
Alberta net cash income



Source: Statistics Canada Catalogue No. 21-603; Alberta Agriculture, Food and Rural Development (calculations)

Results

Net cash income at $2.126 billion in 2001 was well above the 2000 level of $1.516 billion, and exceeded the business plan forecast by $1.03 billion. Alberta net cash income, expressed as a per cent of Canada, increased to 24.1 per cent, up from 22.3 per cent in 2000 and above the 1996-2000 average of 21.6 per cent.

While crop prices did increase somewhat over 2000, the forecast did not include increased input costs (fuel and fuel derivatives such as fertilizers) that have occurred over the past two years. The largest percentage increase occurred in crop insurance premiums, because of the increase in area covered. This rise was followed by increased costs for heating fuels. The largest increase in amount was an increase of $103 million in feed purchases, followed by $44 million in increased fertilizer expenses.

Total cash operating costs increased by 2.8 per cent in 2001. This figure is in addition to an 8.7 per cent increase in 2000, compared to 1999.

Measure 3

Percentage contributed by Alberta's food and beverage industry of Canada's total value of shipments

Sales revenue received by Alberta's agri-business processing and manufacturing firms is called "value of shipments." This measure illustrates how Alberta businesses are doing relative to others across Canada in international markets as well as in Canadian markets.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  3. Increased diversity of commodities, products and services.
  4. Increased capacity of industry to manage business risk and capacity to manage change.
  6. Continued excellence in food safety.

Benchmark

During the benchmark period 1989-1993, Alberta averaged 10.8 per cent of Canada's food and beverage shipments. The continued increase in total value of shipments from Alberta's food and beverage industries relative to those in other provinces is demonstrated by the growth in Alberta's share to 13.8 per cent in 2001.

The value of shipments for the 1989-1993 benchmark period was $4.89 billion, on average. This period was selected as representative of when Alberta's agri-food industry was relatively stable.

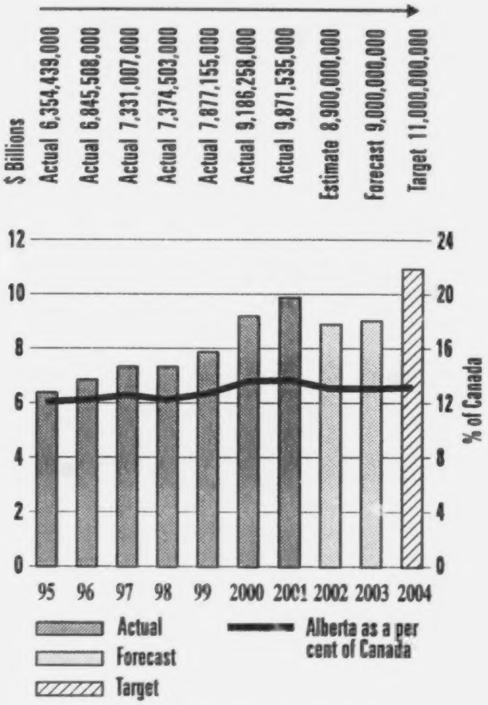
Results

There was a significant increase in 2001, with shipments totaling $9.87 billion, exceeding the business plan forecast by 13.5 per cent. This figure was up 102 per cent from the benchmark and an increase of 7.5 per cent over 2000. The further increase in 2001 was not foreseen at the time the 2001-2004 Ministry business plan was prepared. The forecast in the Ministry business plan was for shipments to increase to $8.7 billion. Shipments exceeded that amount by over $1.2 billion. Substantially strong sales in the livestock sector boosted this value of shipments.

The forecast for the value of food and beverage shipments for Alberta indicates an increase at an ever growing rate over the next several years. Although the business plan target for 2004 was previously reported as 9.2 billion, based on achievements to date, by 2004, shipments are now targeted to reach over $11.0 billion.

Measure 3

Food and beverage value of shipments



Source: Statistics Canada Catalogue No. 31-203 Annual (1995-1999) and Catalogue No. 31-001 Monthly (2000 and 2001)

Measure 4

Value of shipments of agriculture and food products from Alberta to other countries

This measure shows Alberta agriculture and food firms' success in trade, that is, shipping agriculture and food products out of Alberta to other countries.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  3. Increased diversity of commodities, products and services.
  4. Increased capacity of industry to manage business risk and capacity to manage change.
  6. Continued excellence in food safety.

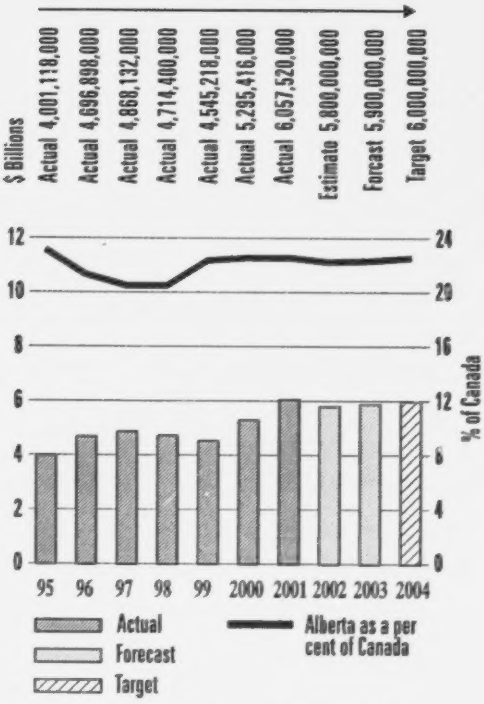
Alberta agriculture and food firms continue to be very successful in marketing agriculture and food products. This measure reflects Alberta's success in trade. The province's relatively small population compared to the size of Alberta's agriculture and food production capacity means only a few Alberta firms market their products within the province. Competition in the world market is intense, so Alberta firms will have to continue to fight for their place in this arena.

Alberta's food and beverage industries are supported by Ministry staff who help those in the industry remain competitive in their respective marketplaces. Strategies adopted by the Ministry include the following;

- advocate policy, legislation, regulation and institutional reforms that assist industry to respond to growth opportunities
- create economic and regulatory conditions necessary for farmers and industry to better respond to available opportunities
- facilitate the development of alternative uses of agricultural products,
- facilitate adoption of internationally accepted food safety systems that validate the safety of Alberta's agriculture and food products

Measure 4

Value of out-of-country shipments



Source: Statistics Canada (data): World Trade Atlas (GTI-Global Trade Information); Alberta Agriculture, Food and Rural Development (calculations)

Benchmark

The average value of exports of agricultural and food products from Alberta to other countries for the 1989-1993 benchmark period was $2.4 billion.

Results

An increase in out-of-country shipments occurred since the benchmark period as a result of the growth in the agriculture and food sector. Shipments have increased from the benchmark average from $2.4 billion to $6.1 billion in 2001, exceeding the business plan forecast of $5.7 billion by 7 per cent.

The value of shipments of meats and meat products from Alberta continues to increase rapidly, and these products are, by far, the largest export of agriculture products from Alberta. The value of meat product shipments in 2001 was over $2 billion, more than double the amount just five years ago. By comparison, the value of wheat exports in 2001 was $1.2 billion.

Measure 5

Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product

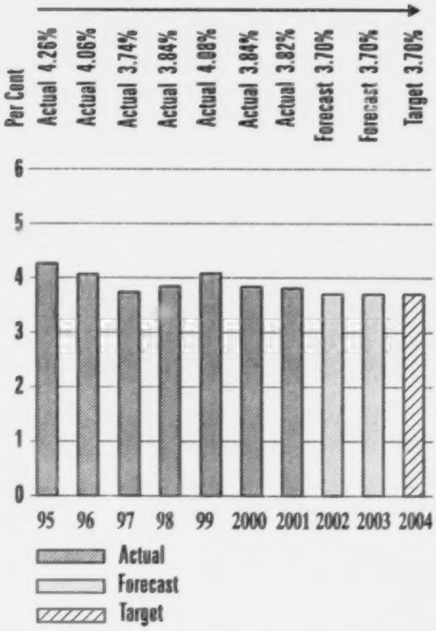
Agriculture, food and beverage industries are the largest of Alberta's renewable resources. The comparison of this sector to other sectors in the Alberta economy illustrates its growth and potential.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  3. Increased diversity of commodities, products and services.
  4. Increased capacity of industry to manage business risk and capacity to manage change.
  5. Improved environmental stewardship,
  6. Continued excellence in food safety.

Measure 5

Contribution to provincial gross domestic product



Source: "Alberta Economic Accounts," Alberta Finance; Alberta Agriculture, Food and Rural Development (calculations)

About one in three jobs in Alberta is either directly or indirectly affected by these industries, making the multiplier effect of the agriculture, food and beverage industries quite dramatic. As such, the per cent of gross provincial product contributed by these industries helps, in part, to illustrate the effectiveness of policies and programs that affect these industries.

This industry sector will continue to grow if policies and programs all have either a neutral or positive effect on growth of the agri-food industry. Ministry staff have a continuing role in ensuring programs and policies have a positive effect on the various aspects of the agri-food industry.

Benchmark

The agri-food industry contributed, on average, 3.82 per cent (adjusted from last year as per note below) of the provincial gross domestic product during the benchmark period.

Note: The gross domestic product (GDP) data series has undergone methodology and conceptual changes since the release of the Ministry's 2001-2004 business plan. First, real GDP has been rebased from 1992 prices to 1997 prices. Secondly, the concept of GDP at factor cost has been replaced by a new concept:

GDP at basic prices that includes indirect taxes on factors of production. These changes resulted in revisions to the GDP data. Data for benchmarks, forecasts and the target presented in the Ministry's business plan were revised to make comparisons.

Results

The adjusted forecast for 2000 was 3.69 per cent. The estimate for 2000 was 3.84, a level of 0.15 percentage points above the forecast. Preliminary estimates for 2001 suggest a similar level as in 2000.

Prices for natural gas and oil have remained strong and have correspondingly increased the total provincial gross domestic product. Continued lower production and commodity prices for crops have reduced the overall effect the agriculture and food industries have on the Alberta economy.

The projection is that the agri-food industry will account for 3.7 per cent of the provincial gross domestic product by 2004. The actual contribution of 3.82 per cent is slightly below the 1997-2001 average of 3.86 per cent. Growth in farm incomes and value of shipments of food and beverage manufacturers is expected to moderate and contribute a slightly lower proportion of provincial GDP. The impact of three years of drought conditions and a reduction in the level of investment in food and beverage manufacturing will be contributing factors.

Measure 6

Employment in agriculture and food

This measure illustrates changes in the level of employment in the agriculture, food and beverage manufacturing industries. This group of industries was the third largest goods-producing employer in the province in 2001.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  3. Increased diversity of commodities, products and services.

Benchmark

The benchmark average (1989-1993) for employment in the primary agriculture sector was 95,700 while the average employment level for that same benchmark period in the food and beverage was 18,100. Employment for the two sectors totalled 113,800. Benchmark changes from last year are based on Statistics Canada classification revisions to the Labour Force Survey.

Results

Total employment averaged 82,500 during 2001; that total was composed of 59,500 in primary agriculture and 23,000 in the food and beverage industry. The combined total is below the 104,000 figure forecast in the business plan.

Employment in primary agriculture has continued to vary over the period since 1989. It peaked at 98,700 in 1991 and dropped back to 89,200 in 1997, increased slightly in 1998 but further decreased to 82,500 in 1999. Continued low farmer net incomes significantly affected farm and ranch employment opportunities and weakened the need to hire additional agriculture workers.

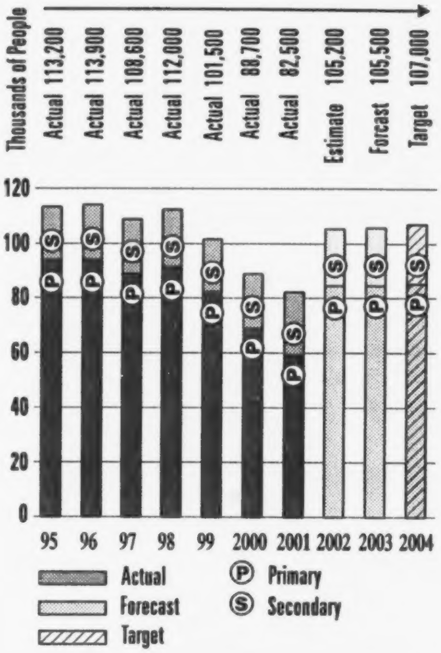
Employment in the food and beverage side did not fluctuate as much. The change has been from a low of 16,800 in 1992 to a high of 23,000 this year. Continued increases in output of the food and beverage industries continues to translate into increased employment in this sector.

Alberta's agriculture, food and beverage industries maintained a very low level of unemployment when compared to any other major industry in Alberta.

While the employment targets set for 2004 in the Ministry business plan were 86,000 in primary agriculture and 21,000 jobs in the food and beverage industries, neither of these projections may be valid given the clear decline in primary agriculture employment and the continued growth in the food and beverage sector.

Measure 6

Employment in agriculture and food



Source: Statistics Canada, Historical Labour Force Survey, Alberta Finance

Measure 7

Alberta land productivity index

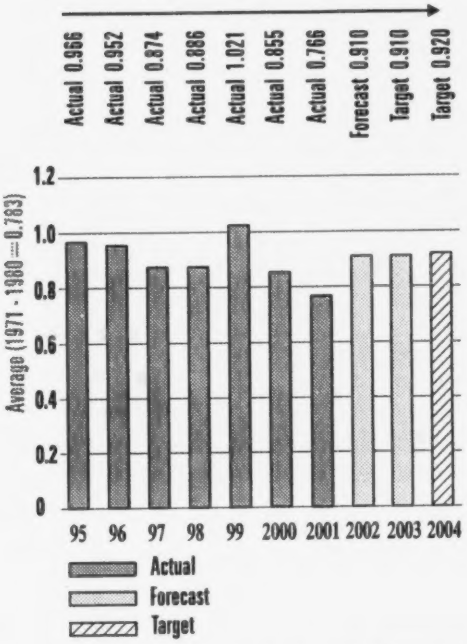
This measure records the changes in long-term land productivity as recorded in annual crop output. Although year-to-year changes in productivity occur due to weather, the longer term average is used to show trends.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:
  1. Improved industry competitiveness.
  2. Increased amount of value added to industry commodities, products and services.
  5. Improved environmental stewardship,

The balance between nutrients removed by crops and replaced by fertilizers and manure ensures the land productivity and the sustainability of agriculture. Long term crop production is an excellent proxy for land productivity.

Measure 7
Land productivity index



Source: Statistics Canada Catalogue No. 22-002 (data); Alberta Agriculture, Food and Rural Development (calculations)

Benchmark

Over the past 50 years, there has been a steady growth in crop production in Alberta. This index shows the crop production increase relative to the 1971-1980 benchmark.

Results

The Ministry's work with farmers and ranchers has, in part, contributed to the overall increase in crop output over time. The index for 1999 at 1.021 not only recorded this effort, in part, it also recorded the generally favorable crop production year. While weather will continue to affect the year-to-year level, results for 1999 illustrate that total output can exceed the target level anticipated.

Crop output in 2001 was severely affected by widespread drought and dry growing conditions throughout most of Alberta. The index declined to 0.766, far below normal and 15 per cent below the business plan forecast. Total output was down by 20.6 per cent of the five-year average for 1996-2000 and by 27.0 per cent from that produced in 1999.

Future Challenges

The Ministry's macro measures show changes at the industry and Ministry level. As a result, these measures record, in part, both the direct and indirect effects the Ministry has on the ongoing development of the agriculture and food industry in Alberta. However, a number of significant influences that remain beyond the role and scope of Ministry programs and staff affect Alberta's agriculture and food industries.

Major influences on Alberta's agriculture and food industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance program payments will show the variance this factor can introduce. Back in 1985, widespread drought caused crop insurance payouts to increase to $251 million. However in the 1999 calendar year, payouts were only $62.3 million. The year 2000 was also very dry, and payouts totaled $161 million. Continued dry conditions and widespread drought in 2001 increased payments to $243.2 million.

The Ministry's macro-measures dealing with farm cash receipts and net cash income record the effects of weather. Projections for these measures are based on long-term averages based on normal weather.

Commodity prices

The combination of long-term, downward trending commodity prices and upward trending input prices further eroded margins. This situation will continue to place an additional burden on producers' ability to remain in business.

Federal government programs and policies

The future growth of Alberta's agriculture and food industries continues to be affected by federal government programs and policies. The reduction or removal of impediments inherent in federal programs and policies requires the ongoing work of Ministry staff along with their federal counterparts. For example, Alberta farmers marketing their grain continue to be affected by issues around grain transportation and marketing constraints and regulations.

To address some of these joint concerns, federal and provincial safety net programs and policies being considered under review under the general Agriculture Policy Framework.

The level of the Canadian dollar relative to the U.S. dollar, while generally beneficial to international exports leaving Alberta, has meant continued increases in input costs, particularly for those items imported from the U.S. A majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches comes from U.S. manufacturers. However, an increase in the value of the Canadian dollar means a concern for Alberta exporters.

Government programs and policies of other countries

Markets in other countries are crucial to Alberta agriculture and food industries. As such, Alberta industries are significantly affected by both existing and future programs as well as policies in other countries. For example, continued trade wars among the U.S. and European countries continue to have an adverse effect on the amount and value of Alberta exports. The new U.S. Farm Bill, with significant increases in expenditures supporting U.S. farmers, will further affect agriculture in this province.

The international demand for agriculture commodities changes constantly and significantly. In part, these alterations are due to changes in government programs and policies in other countries. Consequently, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential for growth will not occur.

Consumer tastes, social norms and/or standards

Changes in consumer tastes and demand can result in significant challenges. Since Alberta has a strong reliance on exporting agriculture and food products, producers must respond to these changes.

The food product industry must meet a particular challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from producing rapeseed to canola took more than ten years to complete. In today's fast-paced society, consumer tastes can and do change more quickly.

Issues around animal welfare, the environment, biotechnology and additional resource issues such as air, land and/or water will continue to affect the future direction of agriculture and food in this province. Social norms can drive significant changes in how these industries produce agriculture and food products, both in Canada and around the world.

The globalization of agriculture markets places Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which ones are not. Food safety concerns have the public on alert, and the agriculture and food industries must address these concerns. More recently, terrorist attacks have placed governments on alert to threats to public safety in all industries.

Results of Operations

The Ministry's financial results show consolidated revenues of $648 million in 2001-2002, which is a $336.6 million increase in revenues from 2000-2001, and $155.6 million higher than budget. Consolidated expenses increased to $1,233 million. This figure is $412.4 million higher than in 2000-2001. The net operating result was an excess of expenses over revenues of $584.6 million, which is $75.2 million higher than in 2000-2001 and $133.4 million higher than budget.

Revenues

Revenues doubled from the previous year. They were up $336.6 million from last year, and, as noted above, were $155.6 million higher than budget.

Revenue exceeded budget mainly because of one-time transfers from the federal government, increased crop insurance premiums and reinsurance proceeds, and increases in restricted revenue receipts. The Canada-Alberta Farm Income Assistance Program provided for a one-time transfer of $178 million. Insurance premiums were $12 million higher than the prior year as producers expanded and increased coverage as a result of the continuation of the 30 per cent crop insurance premium discount and anticipated drought impacts. Reinsurance proceeds of $43.6 million were received following the drought conditions experienced across much of Alberta. Restricted revenues were $58 million higher than 2000-2001 due to the assumption of responsibility for milk coordination and delivery.

Revenue picture highlights include the following:

- Transfers from the Government of Canada increased from the prior year by $206.7 million, primarily comprised of the $178 million federal share of the Canada-Alberta Farm Income Assistance Program and Farm Income Disaster Program (FIDP) contributions of $20.5 million.
- Restricted Revenue increased $58 million from 2000-2001 and was $68.7 million higher than budget due to the assumption of milk coordination and delivery responsibilities. These revenues are collected in the operation of price equalization pools or under various agreements and are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. The increase in revenue was offset by a corresponding increase in restricted expenses.
- Interest and Investment Income increased $6.9 million over the prior year and was $4.3 million higher than budget primarily as a result of increases in the lending portfolios.
- Premiums from Insured Persons were $3.4 million higher than budget and $12 million higher than 2000-2001 receipts due to higher than anticipated coverage levels.
- Fees, Permits, Licenses and Other Income was $54.2 million greater than budget and $52.6 million higher than 2000-2001. The receipt of unanticipated reinsurance proceeds of $43.6 million resulted from the province's worst drought in 130 years.

Expenses Compared to Budget

Expenses were $289.4 million higher than budget, primarily as a result of the delivery of the Canada-Alberta Farm Income Assistance Program. Additionally, insurance indemnities were much higher than budgeted due to the impacts of drought across much of the province. These increases were partially offset by reduced Farm Income Disaster Program payments.

- Farm Income Support expenses were $100.6 million over budget. Additional assistance was provided to help producers through the worst drought in 130 years and to deal with continuing low commodity prices and high input costs. These expenses included claims paid under the Canada-Alberta Farm Income Assistance Program (CAFIAP), the Farm Income Disaster Program (FIDP), native pasture and operational beehive payments, and payments under the Alberta Farm Water Program (AFWP) and a summer natural gas rebate program for greenhouses, irrigators and alfalfa dehydrating plants. Additional funding required to deliver CAFIAP, native pasture, operational beehive, and AFWP was approved through a supplementary estimate.
- Insurance expenses were $127.8 million higher than budgeted. The widespread drought resulted in both high numbers and values of crop insurance claims.
- Restricted Expenses were $68.7 million over budget. During the year, the Ministry assumed responsibility for milk delivery and coordination. These expenses comprise payments in accordance with agreements imposing stipulations that specify the purpose for which funds are to be used. This increase in expense was offset by a corresponding increase in restricted revenues.
- Industry Development expenditures exceeded budget by $5.6 million, due to restructuring initiatives and increased expenditures associated with research projects undertaken in partnership with industry. These expenditures were partially offset by increased project contributions revenues from industry partners.
- Farm Fuel Distribution Allowance expenditures were $2.5 million lower than budget, resulting from lower sales volumes of farm fuel.
- Sustainable Agriculture incurred one-time expenditures to purchase weather monitoring stations and specialized food safety equipment. Increased expenditures associated with the farm water and water pumping programs were also incurred. As a result, the sector exceeded budget by $1.6 million.
- Lending expenses were $1.5 million lower than budgeted resulting from administrative savings.
- Planning and Competitiveness expenditures were under budget by $3.9 million. The reallocation of resources to facilitate the delivery of Farm Income Assistance Programs and expenditures resulting from fiscal restraint actions taken pursuant to the forecasted reduced revenues for the Province contributed to the reductions in spending.
- Municipal Wastewater Infrastructure Program projects did not require funding as anticipated resulting in Infrastructure Assistance expenditures being lower than budget by $4.9 million.
- Ministry Support Services expenditures were $6.2 million higher than budgeted resulting from severance payments associated with restructuring initiatives.
- Valuation Adjustments were $1.2 million lower than budgeted as provisions for losses on lending portfolios were substantially reduced.
- Debt Servicing costs were $7.5 million lower than budget primarily as a result of lower than anticipated interest rates.

Expenses Compared to 2000-2001

Expenses were up $412.4 million from last year. Highlights of the spending picture for 2001-2002 compared to 2000-2001 are as follows:

- Farm Income Support expenses were $236.6 million higher than those in 2000-2001. These expenses included claims paid under the Canada-Alberta Farm Income Assistance Program (CAFIAP), the Farm Income Disaster Program (FIDP), native pasture and operational beehive payments, and payments under the Alberta Farm Water Program (AFWP) and a natural gas rebate program for greenhouses, irrigators and alfalfa dehydrating plants. This additional assistance was provided to help producers through the worst drought in 130 years, and to deal with continuing low commodity prices and high input costs.
- Insurance expenses were $114.4 million higher than 2000-2001 because of increased participation in the programs and higher indemnities resulting from drought conditions in many areas of Alberta.
- Restricted Expenses were $58 million greater than 2000-2001 due to the assumption of milk delivery and coordination responsibilities. These expenses are offset by corresponding increases in restricted revenues.
- Industry Development expenses were $3.9 million higher than in the previous year due to restructuring initiatives and increased expenditures associated with research projects undertaken in partnership with industry. These expenditures were partially offset by increased project contributions revenues from industry partners.
- Farm Fuel Distribution Allowance expenses were $1.4 million lower than in 2000-2001 resulting from lower sales volumes of farm fuel.
- Sustainable Agriculture expenses were $1.5 million lower than in the prior year resulting from one-time expenditures incurred in 2000-2001 for special projects such as the gas flare study, and the implementation of the Cows and Fish Program.
- Increases in the size of lending portfolios resulted in lending expenses that were $1.4 million higher than those incurred in 2000-2001.
- Planning and Competitiveness expenditures were $2.2 million lower than in the prior year as resources were reallocated to facilitate the delivery of Farm Income Assistance Programs and fiscal restraint measures were taken to mitigate the impacts on the province of forecast reductions in oil and gas revenues for the Province.
- Infrastructure Assistance expenses increased $4.8 million from 2000-2001 as one-time infrastructure assistance was provided to Irrigation Districts for special projects.
- Ministry Support Services expenditures were $7.0 million higher than in the prior year resulting from severance payments associated with restructuring initiatives.
- Valuation adjustments were $3.5 million higher than those reported in 2000-2001 primarily as a result of expanded lending activity, which required increased provisions for doubtful accounts on loan portfolios.
- Development funding was $6.5 million lower than in 2000-2001 as planned. Specific industry development initiative funding was provided in prior years.
- Debt Servicing Costs were $5.5 million lower than those reported in the prior year as a result of lower than anticipated interest rates.

Performance Measures Summary

The macro performance measures for fiscal 2001-2002 show Measures 1, 2, 3, 4 and 5 exceeding the forecasts while Measures 6 and 7 did not reach the target levels anticipated. A summary of actual results against forecasts for each of the Ministry's seven macro performance measures will illustrate these results. The forecasts appear in the 2001-2004 Ministry business plan prepared in late summer 2000.

Measure 1

Percentage of Canadian farm cash receipts Alberta farmers account for

- Alberta's farm cash receipts (FCR) were forecast to be $7.3 billion in 2001. FCR for 2001 were nearly $ 8.3 billion, up $ 1.0 billion or 13.7 per cent over forecast.
- Alberta's FCR were forecast to be 22.1 per cent of total Canadian FCR in 2001. The sharp increase in FCR pushed Alberta's receipts as a per cent of Canadian FCR to 22.9 per cent.

Measure 2

Net cash income of Alberta farmers and ranchers

- Alberta's net cash income (NCI) at $2.126 billion for 2001 was $1.03 billion above the forecast.
- Alberta NCI as a percent of Canada was forecast to be 17.2 per cent of Canada. Alberta accounted for 24.1 per cent of Canadian NCI.

Measure 3

Percentage contribution by Alberta's food and beverage industry of Canada's total value of shipments

- The total value of shipments from Alberta's food and beverage industry for 2001 was a record $9.87 billion, an increase of 13.5 per cent above the forecast $8.7 billion and a 7.5 per cent increase over 2000.
- The greatest increase was experienced in the food sector, with "meat products manufacturing" showing the largest gain.
- The percentage of Canada's total value of shipments contributed by Alberta's food and beverage industries for 2001 was 13.8 per cent, above the forecast value of 13.2 per cent.

Measure 4

Value of shipments of agriculture and food products from Alberta to other countries

- Alberta shipments of agriculture and food products to other countries were forecast to reach $5.7 billion dollars. The actual amount was $6.1 billion, 7.0 per cent above the forecast. The value of shipments of meat products continues to lead other exports.

Measure 5

Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product

Note: The gross domestic product (GDP) data series has undergone methodology and conceptual changes since the release of the Ministry's 2001-2004 business plan. First, real GDP has been rebased from 1992 prices to 1997 prices. Second, the concept of GDP at factor cost has been replaced by a new concept: GDP at basic prices that includes indirect taxes on factors of production. These changes resulted in revisions to the GDP data. Data for benchmarks, forecasts and the target presented in the Ministry's business plan were revised for comparability.

- The importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product slipped below the 4 per cent level in 2000 and is expected to have remained below 4 per cent for 2001. The forecast was for a decrease of 8 per cent, when comparing year 2000 to 1999. However, the decrease was just less than 6 per cent.
- The effects of widespread dry conditions over much of Alberta in 2000 lowered the output of primary agriculture, and although output from the food and beverage sector increased, it was not enough to offset the decrease in the primary side. Continued dry conditions during 2001 are forecast to further decrease the contribution of primary agriculture to the GDP of Alberta.

Measure 6

Employment in agriculture and food

- The impact of the combination of economic conditions and further decreases in output in primary agriculture has resulted in a further decline in employment in this sector. Average employment during 2001 dipped to 59,500 people, down 14 per cent from 69,300 people in 2000 and well below the 84,000 people forecast in the Ministry business plan.
- Employment in the food and beverage industries continued to rise, and the employment of 23,000 people in 2001 is both above the forecast of 20,000 people and at record levels. It is not clear whether employment in the food and beverage industries will continue to increase in 2002.

Measure 7

Alberta land productivity indicator

- The Alberta land productivity indicator was forecast to reach 0.90 in 2001, in line with the long-term trend line used to develop the forecasts and target. The long-term trend line is based on average temperatures and precipitation.
- The actual index was 0.766, down 15 per cent from the forecast. Continued widespread dry conditions across the province and drought conditions in many areas for two or more consecutive years resulted in a further lowering of crop output, as well as affecting livestock production due to decreased pasture production.
- Crop production for 2001 was 20.6 per cent below the five-year (1996-2000) average. The provincial average yield of tame hay at 0.9 tons per acre for 2001 was 30.8 per cent below the 1996-2000 average. Production from tame hay is a relatively good proxy for pasture output.

Financial Information

Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2002 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policies that are exceptions from Canadian generally accepted accounting principles:

Capitalization of Assets

Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of financial position. In my opinion, capital assets purchased in the current year of approximately $1,700,000 should be recognized as assets in the accompanying consolidated statement of financial position. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 2002 by $1,700,000. The cumulative effect of the application of this policy over past years on the Ministry's capital asset and accumulated amortization balances cannot reasonably be determined but is believed to be significant.

Discontinued Operations

As described in Note 14, on March 6, 2002, management adopted a plan to discontinue the operations of the Alberta Dairy Control Board. These discontinued operations will be transferred to Alberta Milk as at August 1, 2002. In my opinion, the results of these operations should be reported separately for the current and prior periods in the accompanying consolidated statement of operations. Revenues and expenses relating to these operations were $135,400,000 and $135,600,000 respectively for the year ended March 31, 2002. For the year ended March 31, 2001, revenues and expenses were $73,500,000 and $73,600,000 respectively.

In my opinion, except for the effects of the matters discussed in the preceding paragraphs, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
May 23, 2002

Consolidated Statement of Operations for the Year Ended March 31, 2002

(in thousands)

	2002 Budget	2002 Actual	2001 Actual (Restated)
Revenues			
Transfers from Government of Canada	$244,005	$ 268,573	$ 61,829
Restricted revenue	61,661	130,356	72,327
Interest and investment income	103,149	107,415	100,507
Premiums from insured persons	61,801	65,181	53,177
Fees, permits, licenses and other income	9,848	64,029	11,459
Internal government transfers	11,620	11,620	11,620
Amortization of loan discounts	414	901	548
Ministry revenue	**492,498**	**648,075**	311,467

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2002

(in thousands)

	2002 Budget	2002 Actual	2001 Actual (Restated)
Expenses (Schedule 1)			
Program –			
Farm income support	397,992	498,543	261,963
Insurance	201,714	329,536	215,169
Restricted expenses	61,661	130,356	72,327
Industry development	42,137	47,703	43,833
Farm fuel distribution allowance	33,500	30,998	32,401
Sustainable agriculture	29,236	30,796	32,290
Lending	31,850	30,388	28,992
Planning and competitiveness	34,084	30,209	32,447
Infrastructure assistance	29,000	24,058	19,246
Ministry support services	15,440	21,661	14,646
Valuation adjustments	6,731	5,491	2,040
Development funding	–	500	7,000
Program expense	**883,345**	**1,180,239**	762,354
Debt servicing costs –			
Agriculture Financial Services Corporation	54,958	48,202	53,251
Alberta Opportunity Company	5,453	4,740	5,194
	60,411	**52,942**	58,445
Ministry expense	**943,756**	**1,233,181**	820,799
Net recoverable amounts	–	244	–
Gain (loss) on disposal of assets	–	234	(69)
	–	**478**	(69)
Net operating results	**$(451,258)**	**$(584,628)**	**$(509,401)**

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position as at March 31, 2002

(in thousands)

	2002	2001 (Restated)
Assets		
Cash	$ 39,051	$ 55,121
Accounts receivable	33,227	15,659
Due from Government of Canada	49,594	81,194
Loans receivable *(Schedule 2)*	958,275	927,204
Inventories	750	854
Investments *(Schedule 3)*	372,983	411,802
Capital assets *(Schedule 4)*	48,042	47,998
	$1,501,922	**$1,539,832**
Liabilities		
Accounts payable and accrued liabilities	$ 101,447	$ 149,177
Indemnities payable	77,335	114,570
Allowance for losses on loan guarantees	1,665	1,961
Debentures, notes and interest payable to the Province of Alberta *(Schedule 5)*	900,435	867,040
Unearned revenue	1,911	2,076
Deferred contributions *(Note 5)*	43,117	10,448
	1,125,910	1,145,272
Net Assets		
Net assets at beginning of year *(Note 14)*	394,560	282,529
Net operating results	(584,628)	(509,401)
Net transfer from general revenues	566,080	621,432
Net assets at end of year	**376,012**	394,560
	$1,501,922	**$1,539,832**

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position for the Year Ended March 31, 2002

(in thousands)

	2002	2001 (Restated)
Operating Transactions		
Net operating results	$(584,628)	$(509,401)
Non-cash items *(Note 6)*	10,962	8,668
Net change in operating assets and liabilities *(Note 6)*	(41,094)	(108,048)
Cash used by operating transactions	**(614,760)**	(608,781)
Investing Transactions		
Net loan disbursements and proceeds from repayments of loans receivable and sale of properties	(34,089)	(101,360)
Change in investments	38,819	27,295
Purchase of capital assets	(5,717)	(7,512)
Proceeds on disposal of capital assets	143	268
Transferred assets	59	–
Cash used by investing transactions	**(785)**	(81,309)
Financing Transactions		
Borrowing from the Province of Alberta	255,400	436,943
Repayment of borrowing from the Province of Alberta	(222,005)	(342,631)
Net transfer from general revenues	566,080	621,432
Cash provided by financing transactions	**599,475**	715,744
Net cash used	(16,070)	25,654
Cash, beginning of year	55,121	29,467
Cash, end of year	**$ 39,051**	**$ 55,121**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2002

Note 1 Authority and Reporting Entity

The Minister of Agriculture, Food and Rural Development has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	Government Organization Act
Crop Reinsurance Fund of Alberta	Agriculture Financial Services Act
Agriculture Financial Services Corporation (the Corporation)	Agriculture Financial Services Act
Alberta Opportunity Company (the Company)	Alberta Opportunity Fund Act
Alberta Dairy Control Board (the Board)	Dairy Board Act

The financial statements for the individual entities provide more detailed information about the operations of each entity.

Note 2 Purpose

The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with the following accounting policies:

(a) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (b). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as doubtful, interest revenue is no longer recognized.

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred – Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.

Note 3 continued

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.
- provision for losses on loans and guarantees. A provision is established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets – Cash consists of deposits in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Inventory of property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which title to the property is obtained plus subsequent disbursements related to the property less any revenues or lease payments received.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to Cash, Accounts receivable, Due from Government of Canada, Accounts payable and accrued liabilities, and Indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of Loans receivable, Investments, Debentures, notes, and interest payable to the Province of Alberta are disclosed on their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities – Liabilities represent financial claims payable by the Ministry at fiscal year end.

Net Assets – Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Indemnities payable, recorded as $77,335 in these financial statements, are subject to measurement uncertainty.

Indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Farm Income Disaster Program (FIDP) may pay a farm business when it experiences a disastrous drop in margins on farm operations. If the program margin falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 2001 tax year until July 31, 2002 and indemnities are paid after applications are received and approved.

Note 3 continued

Amounts due from the Government of Canada under the Canadian Farm Income Program (CFIP) and corresponding revenues are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under FIDP and/or the Farm Income Assistance Program. The formulae related to reimbursement from the Government of Canada are not yet established, and an amount could not be reasonably estimated. Therefore, no amount has been recognized in the financial statements.

The Ministry has recorded a liability to provide for estimated indemnities under FIDP of $74,117. Indemnities to be paid for the 2001 tax year may be more or less than the amount recorded because the majority of the 2001 applications are not received until after March 31, 2002. It is also difficult to predict the estimated indemnities payable because of the impact disasters will have on gross margins. Indemnities payable for the 2001 tax year may be as low as $64,000 or as high as $108,000. Indemnities payable under FIDP are limited to a maximum of $200,000 for claims from producers who have year ends in any fiscal year.

Loans receivable, recorded as $958,275 in these financial statements, is subject to measurement uncertainty. Loans receivable includes a provision of $35,943 for losses on loans. The provision estimated by management could change significantly in the future, leading to a material change in the provision for losses amount recorded.

The Province's payments to producers through the Alberta Farm Water Program and related accrued liability are also subject to measurement uncertainty. The Province's expenditures under the Program and related liability are recorded in these financial statements as $12.9 million and $7.2 million, respectively. Uncertainty is attached to predicting amounts payable because all grant applications under the Program are not received until after March 31, 2002. The Provincial contribution for the 2002 claim year may be as high as $13.5 million.

Note 4 Deferred Contributions

Deferred contributions consist of the following:

	2002	2001
	(in thousands)	
Premiums from Insured Persons	$10,023	$ 1,889
Canada-Alberta Partnership on Agri-Food	–	3,379
Milk Price Equalization Pool	32,455	4,588
Milk Promotion	529	482
Alberta Milk Producers Membership	77	77
Nutrition Education	33	33
	$43,117	$10,448

Note 5 Non-Cash Items and Net Changes in Operating Assets and Liabilities

The consolidated statement of changes in financial position includes the following items:

	2002	2001 (Restated)
	(in thousands)	
Amortization	$ 5,705	$ 5,283
Amortization of loan discounts	–	1,276
Valuation adjustments	5,491	2,040
(Gain) loss on disposal of capital assets	(234)	69
Non-cash items	$ 10,962	$ 8,668
Increase in accounts receivable	13,050	71,127
Decrease in accounts payable	(48,480)	(68,531)
Increase in inventories	(933)	(146)
Decrease (increase) in unearned revenue	(165)	1,686
Increase (decrease) in deferred contributions	32,669	(115)
Decrease in indemnities payable	(37,235)	(112,069)
Net changes in operating assets & liabilities	$(41,094)	$(108,048)

Note 6 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to entities within the Ministry. To mitigate this risk, entities closely monitor and counsel high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and debentures, notes, and interest payable represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2002. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Note 6 continued

	Term to Maturity (1)				Not Interest Rate Sensitive (2)	2002	2001 (Restated)
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Direct farm loans	$ 55,601	$235,029	$257,883	$255,217	$3,139	$806,869	$774,843
Yield(3)	7.19%	7.29%	7.34%	7.39%	-	7.33%	7.39%
Agribusiness loans	4,241	12,156	9,239	2,620	903	29,159	32,393
Yield(3)	7.26%	7.10%	7.42%	6.25%	-	7.15%	8.52%
Business development loans	21,156	96,787	-	-	4,304	122,247	119,968
Yield(3)	11.15%	10.77%	-	-	-	10.84%	11.07%
Total	$ 80,998	$343,972	$267,122	$257,837	$8,346	$958,275	$927,204
Yield(3)	8.23%	8.26%	7.34%	7.38%	-	7.77%	7.91%
Debentures & notes payable	175,503	378,691	238,791	98,939	8,511	900,435	866,105
Yield(3)	5.45%	6.27%	6.55%	6.35%	-	6.19%	6.01%
Net gap before pre-payment adjustment	(94,505)	(34,719)	28,331	158,898	(165)	57,840	61,099
Prepayment adjustment	42,020	79,679	(28,948)	(92,751)	-	-	-
Net gap	$ (52,485)	$ 44,960	$ (617)	$ 66,147	$ (165)	$ 57,840	$ 61,099

(1) Term to maturity reflects the period of time until a loan matures or where an interest rate is to be renegotiated.

(2) Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 7 Defined Benefit Plans

(in thousands)

The Ministry participates in the multiemployer pension plans, Management Employee Pension Plan and the Public Service Pension Plan. The department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers.

The expense for these plans is equivalent to annual contributions of $4,863 for the period ended March 31, 2002 (2001 - restated $4,806).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338 (2000 - $170,858) and the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399 (2000 - surplus $180).

The Ministry also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646 (2001 - $12,710) and the Management, Opted Out, and Excluded Plan an actuarial deficiency of $2,656 (2001 - $4,583). The expense for these two plans is limited to employer's annual contributions for the year.

Note 8 Contingencies

(in thousands)

At March 31, 2002, Ministry entities are defendants in fifteen legal claims (2001 – seventeen legal claims). These claims have specified amounts totaling $20,203 (2001 – restated $20,520).

The resulting loss, if any, from these claims cannot be determined.

Note 9 Commitments

(in thousands)

At March 31, commitments are comprised of the following:

	2002	2001 (Restated)
Estimated farm loan incentives	$19,213	$ 18,639
Approved, undisbursed loans	25,996	38,907
Reinsurance	30,800	37,525
Business development loans	11,859	7,780
Guarantees	300	375
Export guarantees	–	345
	$88,168	$103,571

Future minimum lease payments and estimated related costs for each of the next five years resulting from obligations under long-term, non-cancelable operating leases for premises are as follows:

2003	$546
2004	231
2005	159
2006	24
2007	-

These leases generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases.

Note 10 Guarantees

	2002	2001 (Restated)	Expiry Date
	(in thousands)		
Feeder Associations	$ 52,331	$ 49,875	Ongoing
Agriculture Financial Services Corporation Guarantees	45,364	54,992	Variable
Alberta Opportunity Company Guarantees	5,963	5,585	Variable
Agricultural Societies Act	31	2,581	2015
	$103,689	$113,033	

Prior to issuing a loan, appropriate security is taken. The security taken depends on the nature of the loan. Interest rates are negotiated and typically range from prime to prime plus two per cent. The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 11 Budget

The 2001-2002 Government and Lottery Fund Estimates were approved on May 31, 2001.

Note 12 Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements. As at March 31, trust funds under administration were as follows:

	2002	2001 (Restated)
	(in thousands)	
Wheat Board Monies Trust Fund	$ 99	$ 99
4-H Scholarship Trust Fund	74	62
4-H General Trust	61	102
Claude Gallinger Memorial Trust Fund	35	25
	$269	$288

Note 13 Government Restructuring

(in thousands)

As a result of government restructuring announced on March 15, 2001, Surface Rights Board, Land Compensation Board and Public Lands were transferred to the Department of Sustainable Resource Development.

Comparatives for 2001 have been restated as if the Ministry had always been assigned its current responsibilities.

Net liabilities as previously reported at March 31, 2000	$292,597
Transfer to the Department of Sustainable Resource Development	(10,071)
Other Adjustments	3
Net liabilities, as restated at April 1, 2000	$282,529

Note 14 Discontinued Operations

(in thousands)

On March 6, 2002, management adopted a plan to transfer operations of the Dairy Control Board to Alberta Milk on August 1, 2002.

The Board's assets and liabilities at March 31, 2002 are:

Cash	$ 16,863
Accounts receivable	16,862
Capital assets (net of accumulated amortization)	260
Accounts payable	(323)
Deferred contributions	(33,093)
Net assets	$ 569

Net assets at the date of transfer are estimated to be $900.

Note 15 Subsequent Event

Effective April 1, 2002, the Alberta Opportunity Fund Act was repealed and the operations, assets, liabilities, rights and obligations of the Alberta Opportunity Company were transferred to the Agriculture Financial Services Corporation.

Note 16 Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry - continued

Ministry of Agriculture, Food and Rural Development - Schedule of Expenses Directly Incurred Detailed by Object for the Year Ended March 31, 2002

Schedule 1

(in thousands)

	2002 Budget	2002 Actual	2001 Actual (Restated)
Grants	$368,983	$ 474,886	$322,284
Indemnities	282,124	392,968	207,857
Salaries, wages, employment contracts and benefits	96,650	106,135	102,388
Interest	67,775	58,961	65,412
Supplies and services	52,861	57,957	42,258
Amortization of capital assets	6,083	5,706	5,423
Other expenses	888	721	810
Valuation adjustments	6,731	5,491	2,040
Subtotal	882,095	1,102,825	748,472
Restricted expenses	61,661	130,356	72,327
Total	$943,756	$1,233,181	$820,799

Ministry of Agriculture, Food and Rural Development – Schedule of Loans Receivable for the Year Ended March 31, 2002

Schedule 2
(in thousands)

	2002	2001 (Restated)
Loans receivable	$ 971,971	$944,023
Accrued interest	29,022	26,769
	1,000,993	970,792
Less allowance for doubtful accounts	(35,943)	(36,202)
Less accrued incentives	(2,677)	(2,630)
Less loan discounts	(4,098)	(4,756)
	$ 958,275	$927,204

The allowance for doubtful accounts of $35,943 (2001 – $36,202) includes a specific allowance for $5,540 (2001 – $8,108) on impaired loans outstanding of $19,806 (2001 – $25,373), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2002 is $1,052,842 (2001 – $733,850). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Investments for the Year Ended March 31, 2002

Schedule 3
(in thousands)

	2002	2001 (Restated)
Bonds and debentures –		
Government of Canada, direct and guaranteed	$225,134	$214,904
Other provincial, direct and guaranteed	86,476	124,689
	311,610	339,593
Fair value(1)	317,310	350,957
Marketable securities –		
Corporate	55,695	66,212
Fair value(1)	57,623	69,735
	367,305	405,805
Accrued interest	5,678	5,997
	$372,983	$411,802
Fair value(1)	$374,933	$420,692

	Term to Maturity (2)				2002	2001 (Restated)
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
Bonds and debentures	$ –	$284,146	$15,147	$12,317	$311,610	$339,593
Yield (3)	–	5.08%	5.58%	6.26%	5.15%	5.79%
Securities	–	55,695	–	–	55,695	66,212
Yield (3)	–	6.07%	–	–	6.07%	7.17%
	–	339,841	15,147	12,317	367,305	405,805
Accrued interest	–	5,148	292	238	5,678	5,997
	$ –	$344,989	$15,439	$12,555	$372,983	$411,802

(1) Fair value is based on quoted market prices including accrued interest.

(2) Term to maturity classifications are based on contractual maturity date of the security.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Capital Assets for the Year Ended March 31, 2002

Schedule 4

(in thousands)

	Estimated Useful Life	Cost	2002 Accumulated Amortization	Net Book Value	2001 Net Book Value (Restated)
Land	Indefinite	$ 403	$ –	$ 403	$ 115
Buildings	40 years	4,376	1,064	3,312	3,431
Equipment*	5-10 years	21,205	11,489	9,716	7,752
Computer hardware and software	3-5 years	24,858	10,497	14,361	14,820
Leasehold improvements	Term of lease	151	148	3	12
Rail hopper cars	35 years	51,241	30,994	20,247	21,868
		$102,234	$54,192	$48,042	$47,998

* Equipment includes heavy equipment, vehicles, furniture and assets under construction.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Debentures, Notes and Interest Payable for the Year Ended March 31, 2002

Schedule 5

(in thousands)

Debentures, notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Series	Year of Maturity	Interest Rate	Principal Outstanding 2002	Principal Outstanding 2001 (Restated)
Short term note	2001 - 2002	2.45%	$100,631	$ 28,716
Debenture A	2004	9.95%	–	30,120
Debenture D	2006	8.25%	–	21,000
Debenture E	2006 - 2007	7.41%	–	46,200
Debenture L	2001 - 2002	7.37%	–	7,476
Note Payable 001	2011	7.64%	18,772	20,066
Note Payable 002	2010	5.58%	40,413	43,748
Note Payable 003	2013	5.39%	40,380	42,845
Note Payable 004	2013	5.84%	28,852	30,512
Note Payable 005	2016	6.52%	91,727	95,351
Note Payable 006	2010	5.94%	23,502	97,798
Note Payable 007	2016	5.93%	90,407	24,500
Note Payable 008	2016	5.86%	47,260	49,287
Note Payable 009	2011	5.56%	149,655	149,576
Note Payable 010	2005	5.23%	24,589	25,000
Note Payable 011	2003	4.79%	25,782	26,453
Note Payable 012	2004	5.05%	25,677	25,963
Note Payable 013	2016	5.99%	47,767	–
Note Payable 014	2004	4.94%	24,884	–
Note Payable 015	2006	5.54%	24,701	–
Note 005,	2002	5.44%	–	13,198
Note 008	2002	5.00%	12,216	12,167
Note 013	2003	5.00%	14,169	14,137
Note 015	2003	5.10%	9,955	9,928
Note 019	2004	5.30%	5,996	5,995
Note 023	2004	5.75%	5,944	5,924
Note 024	2001	5.68%	–	13,282
Note 025	2005	7.50%	14,728	15,001
Note 026	2002	2.31%	10,138	–
Note 027	2006	5.25%	9,880	–
			888,025	854,243
Interest			12,410	12,797
			$900,435	$867,040
Fair value			$908,670	$871,714

Ministry of Agriculture, Food and Rural Development – Schedule of Debentures, Notes and Interest Payable for the Year Ended March 31, 2002

Schedule 5 continued
(in thousands)

Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the debentures and notes are sold, there will be a limited pool of these securities trading in the market; and that the debentures and notes would be new to the market and are not direct issues of the Province; a premium for periodic interest reset feature where applicable, and a factor to reflect the blended payment structure of the debentures and notes.

Scheduled principal repayments are as follows:		
	2003	$175,700
	2004	97,533
	2005	108,128
	2006	113,719
	2007	69,112
		$564,192

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2002

Schedule 6

(in thousands)

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	2002	2001 (Restated)
Revenues –		
Fees and charges	$11,620	$11,621
Other	909	–
Interest	482	529
	$13,011	$12,150
Expenses (directly incurred) –		
Grants	$ 158	$ 232
Accommodation	–	–
Other services	10,836	4,752
Interest	52,942	57,678
	$63,936	$62,662
Capital assets transferred	$ 59	$ –

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 7.

	2002	2001 (Restated)
Expenses (incurred by others) –		
Accommodation	$11,425	$10,316
Other services	334	272
	$11,759	$10,588

Ministry of Agriculture, Food and Rural Development – Schedule of Allocated Costs for the Year Ended March 31, 2002

Schedule 7
(in thousands)

	2002						2001
		Expenses – Incurred by Others		Valuation Adjustments			
Program	Expenses [1]	Accommodation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated)
Farm income support	$ 498,543	$ –	$ –	$ –	$ –	$ 498,543	$261,974
Insurance	329,536	–	–	–	957	330,493	214,932
Restricted expenses	130,356	–	–	–	–	130,356	72,327
Industry development	47,703	6,020	179	309	24	54,235	48,706
Farm fuel distribution allowance	30,998	–	–	–	–	30,998	32,401
Sustainable agriculture	30,796	2,709	36	215	9	33,765	36,416
Lending	30,388	–	–	–	3,751	34,139	87,819
Planning and competitiveness	30,209	1,556	36	219	–	32,020	34,657
Infrastructure assistance	24,058	–	–	–	–	24,058	19,246
Ministry support services	21,661	1,140	83	7	–	22,891	15,898
Development funding	500	–	–	–	–	500	7,000
	$1,174,748	$11,425	$334	$750	$4,741	$1,191,998	$831,376

[1] Expenses – directly incurred as per the Statement of Operations, excluding valuation adjustments.

Section 2

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as an asset in the accompanying statement of financial position. In my opinion, capital assets purchased in the current year of approximately $1,700,000 should be recognized as assets in the accompanying statement of financial position. The effect of this understatement of assets is to overstate expenses for the year ended March 31, 2002 by $1,700,000. The cumulative effect of the application of this policy over past years on the Department's capital asset and accumulated amortization balances cannot reasonably be determined but is believed to be significant.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
May 23, 2002

Statement of Operations for the Year Ended March 31, 2002

(in thousands)

	2002 Budget (Schedule 4)	2002 Actual	2001 Actual (Restated)
Revenues (Schedules 1 and 2)			
Transfers from the Government of Canada	$126,900	$178,605	$ 309
Internal government transfers	11,620	11,620	11,620
Other revenue	4,203	6,189	5,749
Fees, permits and licenses	1,400	1,714	1,487
	144,123	**198,128**	19,165

	2002 Budget (Schedule 4)	2002 Actual	2001 Actual (Restated)
Expenses - Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 2, 3 and 5)			
Industry development	41,165	42,585	42,781
Sustainable agriculture	29,236	30,796	32,290
Planning and competitiveness	34,084	30,209	32,447
Infrastructure assistance	29,000	24,058	19,246
Ministry support services	15,440	21,661	14,688
Financial assistance to Alberta Opportunity Company	5,570	5,570	5,524
Agriculture assistance – Farm income assistance program	283,900	403,795	239,499
Crop insurance	63,893	75,255	52,043
Farm income disaster program	59,009	60,852	6,446
Farm fuel distribution allowance	33,500	30,998	32,401
Lending assistance	10,606	6,560	13,985
Wildlife damage	3,362	1,669	3,537
Development funding	–	500	7,000
	608,765	**734,508**	501,887

continued

continued

Statement of Operations for the Year Ended March 31, 2002

(in thousands)

	2002 Budget (Schedule 4)	2002 Actual	2001 Actual (Restated)
Statutory (Schedule 5)			
Valuation adjustments -			
Provision for vacation pay and guarantees	-	750	1,050
Write-offs and losses	-	22	93
Provision for doubtful accounts	-	11	5
	-	**783**	**1,148**
Total expenses	608,765	735,291	503,035
(Gain) loss on disposal of capital assets	-	(246)	809
Net operating results	**$(464,642)**	**$(536,917)**	**$(484,679)**

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2002

(in thousands)

	2002	2001 (Restated)
Assets		
Cash	$ 5,801	$ 480
Accounts receivable *(Note 4)*	7,245	1,515
Advances	107	122
Capital assets *(Note 5)*	30,277	29,820
	$ 43,430	**$ 31,937**
Liabilities		
Accounts payable and accrued liabilities	$ 101,476	$ 118,981
Unearned revenue	1,911	2,076
	103,387	121,057
Net Liabilities		
Net liabilities at beginning of year	(89,120)	(225,873)
Net operating results	(536,917)	(484,679)
Net transfer from general revenues	566,080	621,432
Net liabilities at end of period	(59,957)	(89,120)
	$ 43,430	$ 31,937

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position for the Year Ended March 31, 2002

(in thousands)

	2002	2001 (Restated)
Operating Transactions		
Net operating results	$(536,917)	$(484,679)
Non cash items –		
Amortization	2,443	2,276
Valuation adjustments	783	1,148
(Gain) loss on disposal of capital assets	(246)	809
	(533,937)	(480,446)
Increase (decrease) in accounts receivable	(5,763)	11,206
Decrease in advances	15	88
Decrease in accounts payable and accrued liabilities	(18,255)	(149,310)
Decrease (increase) in unearned revenue	(165)	1,686
Cash used by operating transactions	**(558,105)**	(616,776)
Investing Transactions		
Purchase of capital assets *(Schedule 5)*	(2,812)	(4,979)
Proceeds from disposal of capital assets	99	227
Transferred assets	59	–
Cash used by investing transactions	**(2,654)**	(4,752)
Financing Transactions		
Net transfer from general revenues	**566,080**	621,432
Net cash used	5,321	(96)
Cash, beginning of year	480	576
Cash, end of year	**$ 5,801**	$ 480

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2002

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the Government Organization Act, Statutes of Alberta. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. Other entities reporting to the Minister include:

- Agriculture Financial Services Corporation,
- Alberta Opportunity Company,
- Alberta Dairy Control Board, and
- Crop Reinsurance Fund of Alberta.

The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred – Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.

Note 2 continued

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payment arising from obligations relating to vacation pay, guarantees, and indemnities.

Incurred by Others – Services contributed by other entities in support of the department operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000.

Liabilities – Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Liabilities – Net liabilities represent the difference between the value of assets held by the Department and its liabilities.

Measurement Uncertainty – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Accounts payable and accrued liabilities include amounts owing to Agriculture Financial Services Corporation (AFSC) that are also subject to measurement uncertainty. Accrued liabilities to AFSC include known liabilities owing at year end and estimates of the Province's contribution payable for Farm Income Disaster Program (FIDP) indemnities payable. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of applications are received, and is based on historical information about the relationship between the number of claim applications received and the average amount of each application. The estimated payable may be as low as $43.5 million or as high as $73.4 million.

Amounts due from the Government of Canada under the Canadian Farm Income Program (CFIP) and corresponding revenues are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under FIDP and/or the Farm Income Assistance Program. The formulae related to reimbursement from the Government of Canada are not yet established, and an amount could not be reasonably estimated. Therefore, no amount has been recognized in the financial statements.

The Province's payments to producers through the Alberta Farm Water Program and related accrued liability are also subject to measurement uncertainty. The Province's expenditures under the Program and related liability are recorded in these financial statements as $12.9 million and $7.2 million, respectively. Uncertainty is attached to predicting amounts payable because all grant applications under the program are not received until after March 31, 2002. The Provincial contribution for the 2002 claim year may be as high as $13.5 million.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Accounts receivable, Advances, Accounts payable and Accrued liabilities are estimated to approximate book values.

Note 3 Government Restructuring

(in thousands)

As a result of government restructuring announced on March 15, 2001, Surface Rights Board, Land Compensation Board and Public Lands were transferred to the Department of Sustainable Resource Development. Comparatives for 2001 have been restated as if the Department had always been assigned its current responsibilities.

Net liabilities as previously reported at March 31, 2000	($ 215,802)
Transfer to the Department of Sustainable Resource Development	(10,071)
Net liabilities, as restated at April 1, 2000	($ 225,873)

Note 4 Accounts Receivable

	2002			2001 (Restated)
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
		(in thousands)		
Accounts receivable	$6,858	$259	$6,599	$1,329
Refunds from suppliers	646	–	646	186
	$7,504	$259	$7,245	$1,515

Accounts receivable are unsecured and non-interest bearing.

Note 5 Capital Assets

	2002				2001 (Restated)
	Estimated Useful Life	Cost	Accumulated Amortization *(in thousands)*	Net Book Value	Net Book Value
Land	Indefinite	$ 123	$ –	$ 123	$ –
Buildings	40 years	1,457	9	1,448	1,450
Equipment and vehicles	10 years	17,093	8,969	8,124	6,279
Computer hardware and software	3-5 years	1,363	1,028	335	223
Rail hopper cars	35 years	51,241	30,994	20,247	21,868
		$71,277	$41,000	$30,277	$29,820

Land consists of property that was purchased by the Province in 1960. The cost of the land was recorded at the value disclosed on the original land title. Because these assets were not previously disclosed in the financial statements, they are included as (Gain) Loss of Disposal of Capital Assets on the Statement of Operations.

Note 6 Contingencies

(in thousands)

At March 31, 2002, the Department is a defendant in five legal claims (2001 – four legal claims). These claims have specified amounts totaling $1,797 (2001 – $1,664). Included in the total legal claims is a claim of $1,332 in which the Department has been jointly named with another entity. Two claims amounting to $1,482 (2001 – two claims amounting to $1,482) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 7 Guarantees

	2002	2001 (Restated)	Expiry Date
	(in thousands)		
Feeder Associations	$52,331	$51,631	Ongoing
Agricultural Societies Act	31	2,581	2015
	$52,362	$54,212	

Note 7 continued

Guarantee programs and their limits are established under the following Acts:

- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 8 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, trust funds under administration were as follows:

	2002	2001 (Restated)
	(in thousands)	
Wheat Board Monies Trust Fund	$ 99	$ 99
4-H General Trust	74	102
4-H Scholarship Trust Fund	61	62
Claude Gallinger Memorial Trust Fund	35	25
	$269	$288

Note 9 Defined Benefit Plans

(in thousands)

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,522 for the year ending March 31, 2002 (2001 – restated $3,520).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338 (2000 – $170,858) and the Public Service Pension Plan reported a surplus of $320,487 (2000 – $635,084). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399 (2000 – surplus $180).

The Department also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646 (2001 – $12,710) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $2,656 (2001 – $4,583). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 11 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Revenues for the Year Ended March 31, 2002

Schedule 1
(in thousands)

	2002 Budget	2002 Actual	2001 Actual (Restated)
Transfers from the Government of Canada	$126,900	$178,605	$ 309
Internal government transfers			
Transfers from the lottery fund	11,620	11,620	11,620
Other revenue			
Project contributions	2,558	2,730	2,693
Rail hopper car revenue	–	1,074	762
Green certificate and home study	780	356	356
Publications	220	249	349
Previous years' refunds of expenditures	–	1,455	680
Plant industry development partnership	–	91	168
Surplus sales	–	55	41
Miscellaneous	645	179	700
	4,203	6,189	5,749
Fees, permits and licenses			
Livestock water program	140	558	367
Food processing centre fees	500	626	464
Meat services	201	197	190
Aquaculture, sheep and diversified livestock	175	144	129
Dairy laboratory and analytical services	38	23	36
Other	346	166	301
	1,400	1,714	1,487
	$144,123	$198,128	$19,165

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Dedicated Revenue Initiatives for the Year Ended March 31, 2002

Schedule 2

(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services [a]	$ 225	$ 251	$ 26
Planning and competitiveness [b]	780	356	(424)
Industry development [c]	3,386	3,460	74
Sustainable agriculture [d]	567	1,106	539
	$4,958	$5,173	$ 215

[a] Authorized budget for Ministry Support Services dedicated revenue initiatives includes Publication and Multi-Media Revenue ($225).

[b] Authorized budget for Planning and Competitiveness dedicated revenue initiatives includes Educational Services Revenue ($780).

[c] Authorized budget for Industry Development dedicated revenue initiatives includes:
Food Processing Centre Fees ($1,045), various Plant Industry Programs ($1,726), various Animal Industry Programs ($595) and Miscellaneous Cost Recovery Programs ($20).

[d] Authorized budget for Sustainable Agriculture dedicated revenue initiatives includes:
Food Safety Initiatives ($272), Resource Management and Irrigation ($130) and various Technical Services Programs ($165).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

Department of Agriculture, Food and Rural Development – Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2002

Schedule 3

(In thousands)

	2002 Budget	2002 Actual	2001 Actual (Restated)
Voted			
Salaries, wages and employee benefits	$ 66,876	$ 70,881	$ 66,799
Supplies and services	26,981	35,971	28,517
Grants	511,576	624,939	403,969
Financial transactions and other	338	274	326
Amortization of capital assets	2,994	2,443	2,276
Total voted expenses	$608,765	$734,508	$501,887

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Authorized Budget for the Year Ended March 31, 2002

Schedule 4
(in thousands)

	2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget
Revenues -			
Transfers from the Government of Canada	$ 126,900	$ -	$ 126,900
Internal government transfers	11,620	-	11,620
Other revenue	4,203	-	4,203
Fees, permits and licenses	1,400	-	1,400
	$ 144,123	$ -	$ 144,123
Expenses (directly incurred) -			
Voted expenses			
Planning and competitiveness	$ 351,484	$ 129,519	$ 481,003
Agriculture insurance and lending assistance	136,870	-	136,870
Sustainable agriculture	53,236	-	53,236
Industry development	46,165	-	46,165
Ministry support services	15,440	-	15,440
Financial assistance to Alberta Opportunity Company	5,570	-	5,570
	608,765	129,519	738,284
Net operating results	$(464,642)	$(129,519)	$(594,161)
Capital investment	$ 1,266	$ -	$ 1,266

(a) Supplementary estimates were approved on November 29, 2001.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

Schedule 5

(in thousands)

		2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget	2001-2002 Actual Expenses	Unexpended (Over Expended)
Voted Expenses and Capital Investments						
1.0	Ministry Support Services					
1.0.1	Minister's Office	$ 397	$ –	$ 397	$ 390	$ 7
1.0.2	Standing Policy Committee on Agriculture and Municipal Affairs	97	–	97	89	8
1.0.3	Deputy Minister's Office	323	–	323	373	(50)
1.0.4	Farmers' Advocate	552	–	552	607	(55)
1.0.5	Finance					
	– Operating expense	4,505	–	4,505	10,400	(5,895)
	– Capital investment	–	–	–	20	(20)
1.0.6	Internal Audit	170	–	170	179	(9)
1.0.7	Information Technology					
	– Operating expense	2,613	–	2,613	3,483	(870)
	– Capital investment	70	–	70	23	47
1.0.8	Agriculture Information Division	2,871	–	2,871	2,808	63
1.0.9	Industry Information Network	961	–	961	932	29
1.0.10	Knowledge Management	509	–	509	479	30
1.0.11	Human Resources	1,882	–	1,882	1,831	51
1.0.12	Amortization of Capital Assets	560	–	560	90	470
	Total Program	15,510	–	15,510	21,704	(6,194)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

Schedule 5 continued

		2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget	2001-2002 Actual Expenses	Unexpended (Over Expended)
2.0	Planning and Competitiveness					
2.1	Program Support					
2.1.1	Assistant Deputy Minister	257	–	257	213	44
2.1.2	Policy Secretariat	3,352	–	3,352	2,534	818
2.1.3	Alberta Grain Commission	237	–	237	322	(85)
2.1.4	Amortization of Capital Assets	1,469	–	1,469	1,472	(3)
	Total Sub-program	5,315	–	5,315	4,541	774
2.2	Economics and Competitiveness					
2.2.1	Administrative Support	408	–	408	407	1
2.2.2	Grain Sector Task Force	234	–	234	109	125
2.2.3	Statistics and Data Development	936	–	936	947	(11)
2.2.4	Economics	970	–	970	920	50
2.2.5	Competitive Intelligence	278	–	278	232	46
2.2.6	Strategic Information Services	590	–	590	728	(138)
2.2.7	Bilateral Relations and Strategic Initiatives	293	–	293	218	75
	Total Sub-program	3,709	–	3,709	3,561	148
2.3	Rural Development					
2.3.1	Administrative Support	269	–	269	279	(10)
2.3.2	4-H	1,175	–	1,175	1,200	(25)
2.3.3	Agriculture Business Management	1,245	–	1,245	1,164	81
2.3.4	Educational and Community Services	2,656	–	2,656	1,869	787
2.3.5	Agricultural Service Boards	5,000	–	5,000	5,029	(29)
2.3.6	Agriculture Initiatives					
	– Operating Expense funded by Lotteries	11,620	–	11,620	9,947	1,673
	Total Sub-program	21,965	–	21,965	19,488	2,477

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

Schedule 5 continued

		2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget	2001-2002 Actual Expenses	Unexpended (Over Expended)
2.4	Farm Income Support					
2.4.1	Management and Operations					
	– Operating Expense	3,095	-	3,095	2,619	476
	– Capital Investment	-	-	-	63	(63)
2.4.2	Farm Fuel Distribution Allowance	33,500	-	33,500	30,998	2,502
2.4.3	Farm Income Assistance Program	283,900	129,519	413,419	403,795	9,624
2.4.4	Development Funding	-	-	-	500	(500)
	Total Sub-program	320,495	129,519	450,014	437,975	12,039
	Total Program	351,484	129,519	481,003	465,565	15,438
3.0	Industry Development					
3.1	Program Support					
3.1.1	Assistant Deputy Minister	298	-	298	290	8
3.1.2	Marketing Council	545	-	545	506	39
3.1.3	Alberta Dairy Control Board	183	-	183	183	-
3.1.4	Amortization of Capital Assets	595	-	595	501	94
	Total Sub-program	1,621	-	1,621	1,480	141
3.2	Animal Industry [illegible]	[illegible]				
3.2.1	Administrative Support	225	-	225	107	118
3.2.2	Beef, Cattle and Sheep	1,684	-	1,684	1,483	201
3.2.3	Pork, Poultry and Horse	1,655	-	1,655	1,535	120
3.2.4	Biometrics and Entomology	406	-	406	483	(77)
3.2.5	Diversified Livestock	1,710	-	1,710	1,668	42
3.2.6	Forage	944	-	944	1,035	(91)
	Total Sub-program	6,624	-	6,624	6,311	313

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

Schedule 5 continued		2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget	2001-2002 Actual Expenses	Unexpended (Over Expended)
3.3	Plant Industry					
3.3.1	Administrative Support					
	– Operating Expense	532	–	532	624	(92)
	– Capital Investment	350	–	350	304	46
3.3.2	Agronomy	3,401	–	3,401	3,611	(210)
3.3.3	Cereals and Oilseeds	2,399	–	2,399	2,523	(124)
3.3.4	Crop Diversification Centre – North	1,765	–	1,765	1,925	(160)
3.3.5	Crop Diversification Centre – South	2,514	–	2,514	3,100	(586)
3.3.6	Pest Prevention	1,106	–	1,106	1,147	(41)
	Total Sub-program	12,067	–	12,067	13,234	(1,167)
3.4	Processing Industry					
3.4.1	Administrative Support	185	–	185	187	(2)
3.4.2	Agri-Food Development	1,109	–	1,109	1,323	(214)
3.4.3	Food Processing Development Centre					
	– Operating Expense	2,701	–	2,701	3,009	(308)
	– Capital Investment	266	–	266	267	(1)
3.4.4	Investment Development	1,019	–	1,019	886	133
3.4.5	Infrastructure Assistance for Municipal Wastewater	5,000	–	5,000	60	4,940
	Total Sub-program	10,280	–	10,280	5,732	4,548
3.5	Regional Advisory Services					
3.5.1	Southern Region	3,469	–	3,469	3,579	(110)
3.5.2	Central Region	3,623	–	3,623	3,824	(201)
3.5.3	Northern Region	6,475	–	6,475	6,544	(69)
3.5.4	Peace Region	2,622	–	2,622	2,511	111
	Total Sub-program	16,189	–	16,189	16,458	(269)
	Total Program	46,781	–	46,781	43,215	3,566

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

Schedule 5 continued		2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget	2001-2002 Actual Expenses	Unexpended (Over Expended)
4.0	Sustainable Agriculture					
4.1	Program Support					
4.1.1	Assistant Deputy Minister	218	–	218	225	(7)
4.1.2	Amortization of Capital Assets	370	–	370	380	(10)
	Total Sub-program	588	–	588	605	(17)
4.2	Resource Management and Irrigation					
4.2.1	Administrative Support	218	–	218	205	13
4.2.2	Environmentally Sustainable Agriculture	4,513	–	4,513	3,995	518
4.2.3	Conservation and Development					
	– Operating Expense	2,457	–	2,457	2,600	(143)
	– Capital Investment	–	–	–	893	(893)
4.2.4	Irrigation					
	– Operating Expense	4,236	–	4,236	4,485	(249)
	– Capital Investment	200	–	200	–	200
4.2.5	Irrigation Secretariat	265	–	265	270	(5)
4.2.6	Infrastructure Assistance Irrigation	24,000	–	24,000	23,998	2
	Total Sub-program	35,889	–	35,889	36,446	(557)

Department - continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

Schedule 5 continued		2001-2002 Estimates	Authorized Supplementary (a)	2001-2002 Authorized Budget	2001-2002 Actual Expenses	Unexpended (Over Expended)
4.3	Food Safety					
4.3.1	Administrative Support					
	– Operating Expense	645	–	645	625	20
	– Capital Investment	380	–	380	259	121
4.3.2	Agri-Food Surveillance	2,899	–	2,899	2,490	409
4.3.3	Agri-Food Laboratories					
	– Operating Expense	2,779	–	2,779	3,485	(706)
	– Capital Investment	–	–	–	948	(948)
4.3.4	Regulatory Services	3,857	–	3,857	4,447	(590)
4.3.5	Safe Food Assurance	1,330	–	1,330	958	372
	Total Sub-program	11,890	–	11,890	13,212	(1,322)
4.4	Technical Services					
4.4.1	Administrative Support	174	–	174	203	(29)
4.4.2	Animal Welfare	1,069	–	1,069	1,028	41
4.4.3	Engineering Services					
	– Operating Expense	2,222	–	2,222	3,348	(1,126)
	– Capital Investment	–	–	–	35	(35)
4.4.4	Livestock Operations	1,551	–	1,551	1,698	(147)
4.4.5	Livestock Expansion and Development	433	–	433	355	78
	Total Sub-program	5,449	–	5,449	6,667	(1,218)
	Total Program	53,816	–	53,816	56,930	(3,114)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2002

	Schedule 5 continued	**2001-2002 Estimates**	**Authorized Supplementary (a)**	**2001-2002 Authorized Budget**	**2001-2002 Actual Expenses**	**Unexpended (Over Expended)**
5.0	Financial Assistance to Alberta Opportunity Company					
5.0.1	Financial Assistance to Alberta Opportunity Company	5,570	-	5,570	5,570	-
	Total Program	5,570	-	5,570	5,570	-
6.0	Agriculture Financial Assistance					
6.0.1	Lending Assistance	10,606	-	10,606	6,560	4,046
6.0.2	Farm Income Disaster	59,009	-	59,009	60,852	(1,843)
6.0.3	Crop Insurance	63,893	-	63,893	75,255	(11,362)
6.0.4	Wildlife Damage	3,362	-	3,362	1,669	1,693
	Total Program	136,870	-	136,870	144,336	(7,466)
	Total Voted Expenses	$610,031	$129,519	$739,550	$737,320	$ 2,230
	Program Operating Expense	$597,145	$129,519	$726,664	$724,561	$ 2,103
	Program Operating Expense funded by Lotteries	11,620	-	11,620	9,947	1,673
		608,765	129,519	738,284	734,508	3,776
	Program Capital Investment	1,266	-	1,266	2,812	(1,546)
		$610,031	$129,519	$739,550	$737,320	$ 2,230
	Statutory Expenses –					
	Valuation Adjustments	$ -	$ -	$ -	$ 783	$ (783)

(a) Supplementary Estimates were approved on November 29, 2001.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Salary and Benefits for the Year Ended March 31, 2002

Schedule 6

	2002			2001 (Restated)
	Salary (1)	Benefits & Allowances (2) (4)	Total	Total
Department				
Senior Official				
Deputy Minister[3]	$157,576	$47,585	$205,161	$203,107
Executives – Assistant Deputy Ministers				
Planning and Competitiveness	89,726	23,606	113,332	164,530
Industry Development	121,526	34,306	155,832	138,962
Sustainable Agriculture	125,982	34,743	160,725	156,840
Executives – other				
Exec. Director, Administration	116,851	29,104	145,955	131,240
Exec. Director, Information Division	106,363	21,539	127,902	92,537
Boards and Agencies				
Senior Officials				
Farmer's Advocate	95,186	5,005	100,191	91,505
General Manager, Agricultural Products Marketing Council	87,285	16,530	103,815	87,201

Total salary and benefits relating to a position are disclosed.

(1) Salary includes regular base pay, bonuses, retroactive pay, overtime and lump sum payments.

(2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, WCB premiums, professional memberships and tuition fees.

(3) Automobile provided, no dollar amount included in benefits and allowances figures.

(4) Benefits and allowances include vacation payments to the Deputy Minister $2,583 ($2,590 in 2001), Assistant Deputy Minister – Planning and Competitiveness $2,094 ($10,008 in 2001), Assistant Deputy Minister – Industry Development $2,270 ($2,079 in 2001), Assistant Deputy Minister – Sustainable Agriculture $2,284 ($2,176 in 2001), Executive Director, Information Division $0 ($3,401 in 2001), Farmer's Advocate $0 ($1,477 in 2001), General Manager, Agricultural Products Marketing Council $1,073 ($1,419 in 2001).

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2002

Schedule 7

(In thousands)

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2002	2001 (Restated)	2002	2001 (Restated)
Revenues –				
Grants	$ –	$ –	$11,620	$11,620
Fees and charges	–	–	4	1
Other	282	136	905	524
	$ 282	$ 136	$12,529	$12,145
Expenses (directly incurred) –				
Grants	$150,088	$81,716	$ 158	$ 232
Other services	–	42	6,883	1,807
	$150,088	$81,758	$ 7,041	$ 2,039
Net capital assets transferred to other entities	$ –	$ –	$ 59	$ –

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001 (Restated)
Expenses (incurred by others) –				
Accommodation	$ –	$ –	$9,724	$9,503
Legal	–	–	176	231
	$ –	$ –	$9,900	$9,734

Department - continued

Department of Agriculture, Food and Rural Development – Schedule of Allocated Costs for the Year Ended March 31, 2002

Schedule 8

(In thousands)

	2002						2001 (Restated)
		Expenses – Incurred by Others		Valuation Adjustments			
Program	Expenses (1)	Accommodation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Agriculture assistance							
Farm income assistance program	$403,795	$ –	$ –	$ –	$ –	$403,795	$239,510
Crop insurance	75,255	–	–	–	–	75,255	52,043
Farm fuel distribution allowance	30,998	–	–	–	–	30,998	32,401
Lending assistance	6,560	–	–	–	–	6,560	13,985
Development funding	500	–	–	–	–	500	7,000
Farm income disaster program	60,852	–	–	–	–	60,852	6,446
Wildlife damage	1,669	–	–	–	–	1,669	3,537
Industry development	42,585	4,319	21	309	24	47,258	47,790
Sustainable agriculture	30,796	2,709	36	215	9	33,765	35,428
Planning and competitiveness	30,209	1,556	36	219	–	32,020	34,656
Ministry support services	21,661	1,140	83	7	–	22,891	15,940
Infrastructure assistance	24,058	–	–	–	–	24,058	19,246
Financial assistance to Alberta Opportunity Company	5,570	–	–	–	–	5,570	5,524
	$734,508	$9,724	$176	$750	$ 33	$745,191	$513,506

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(1) Expenses – directly incurred as per the Statement of Operations, excluding valuation adjustments.

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2002 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
May 17, 2002

Agriculture Financial Services Corporation – Financial Statements 2001-2002

Balance Sheet as at March 31, 2002

(in thousands)

	2002	2001
Assets		
Cash *(Note 2(a))*	$ 12,202	$ 43,464
Accounts receivable *(Note 4)*	15,007	11,643
Due from Province of Alberta	24,765	14,004
Due from Government of Canada	43,599	80,857
Loans receivable *(Note 2(e), 5)*	836,028	807,236
Investments *(Note 6)*	372,983	411,802
Property held for sale *(Note 7)*	94	174
Capital assets *(Note 8)*	16,348	16,714
	$1,321,026	**$1,385,894**

	2002	2001
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 22,178	$ 40,623
Estimated indemnities payable *(Note 2(e), 9)*	77,335	114,570
Due to Crop Reinsurance Fund of Alberta	53,518	53,518
Allowance for losses on loan guarantees *(Note 16)*	1,665	1,961
Notes payable and debentures *(Note 10)*	817,409	777,408
Deferred revenue *(Note 11)*	23,781	19,415
	995,886	1,007,495
Surplus *(Note 3(c))*	325,140	378,399
	$1,321,026	**$1,385,894**

The accompanying notes and schedules are part of these financial statements.

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2002

(in thousands)

	2002 Budget (Note 3(a))	2002 Actual (Schedule 1)	2001 Actual
Revenue			
Premiums from insured persons, net *(Notes 12, 13)*	$ 56,901	$ 58,887	$ 52,287
Interest	65,612	61,547	57,620
Contribution from Province of Alberta, net *(Note 13)*	132,538	138,686	75,572
Contribution from Government of Canada, net *(Note 13)*	114,580	86,623	61,463
Investment income	26,200	33,023	29,988
Fees and other income	2,759	7,491	2,924
Amortization of loan discounts	414	901	548
	399,004	**387,158**	280,402
Expense			
Indemnities, net *(Note 13)*	270,095	335,679	205,855
Interest	54,958	48,248	53,251
Administration, Schedule 2	42,358	40,238	37,400
Farm loan incentives	7,364	5,973	6,966
Adjusting, net *(Note 13)*	6,397	4,653	6,248
Selling commissions	2,227	1,472	1,877
Provision for doubtful accounts and for losses *(Note 15)*	2,220	4,116	(1,896)
	385,619	**440,379**	309,701
(Deficiency) excess of revenue over expense before recoveries	13,385	(53,221)	(29,299)
Net recoveries, Schedule 1	–	(38)	(136)
(Deficit) surplus for the year	**$ 13,385**	**(53,259)**	(29,435)
Surplus at beginning of year		378,399	407,834
Surplus at end of year		**$325,140**	**$378,399**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2002

(in thousands)

	2002	2001 (Restated)
Operating Activities		
Deficit for the year	$ (53,259)	$ (29,435)
Changes not affecting cash	(3,339)	3,039
Changes in assets and liabilities relating to operations	(30,786)	30,897
Net cash (utilized) provided by operating activities [1]	**(87,384)**	4,501
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	109,308	88,893
Loan disbursements	(138,984)	(182,291)
Purchase of investments	(605,815)	(322,590)
Proceeds on disposal of investments	650,678	347,158
Purchase of capital assets	(2,498)	(2,092)
Proceeds on disposal of capital assets	40	42
Net cash provided (utilized) by investing activities	**12,729**	(70,880)
Financing Activities		
Borrowing from the Province of Alberta	1,490,152	2,200,668
Repayment of borrowing from the Province of Alberta	(1,448,991)	(2,115,956)
Government of Canada funding for capital assets	481	594
Province of Alberta funding for capital assets	1,751	1,371
Net cash provided by financing activities	**43,393**	86,677
Net (decrease) increase in cash from operating, investing and financing activities	**(31,262)**	20,298
Cash at beginning of year	43,464	23,166
Cash at end of year	**$ 12,202**	**$ 43,464**

[1] Net cash provided by operating activites includes $48,636,000 (2001 $47,893,000) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2002

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12 RSA 2000.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and farm income disaster payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling. The Corporation acts as the Alberta agent for commercial lending for the federal Farm Credit Corporation.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Property Held for Sale

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received.

(d) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Computer equipment	5 years
Software development costs	10 years
Equipment and furniture	10 years
Vehicles	5 years

(e) Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Estimated indemnities payable, recorded as $77,335,000 in these financial statements, is subject to measurement uncertainty. Estimated indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Farm Income Disaster Program may pay a farm business when it experiences a disastrous drop in margins on farm operations. If the program margin for the farming business falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. The majority of applications are received after the Corporation's fiscal year end which is the main contributing factor to measurement uncertainty.

The Corporation has recorded a liability to provide for estimated indemnities payable under the Farm Income Disaster Program (see Note 9). Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of applications are received. It is also difficult to predict the estimated indemnities payable because of the wide variation in the impact disasters have on individual farm gross margins. The estimated indemnities payable may be as low as $64,000,000 or as high as $108,000,000. Indemnities payable under the Program are limited to a maximum of $200,000,000 for claims from producers who have year ends in any fiscal year.

Note 2 continued

Loans receivable, recorded as $836,028,000 in these financial statements, are subject to measurement uncertainty. Loans receivable have been reduced by a provision of $25,961,000 (see Note 5) for losses on loans. The provision estimated by management (see Note 2(l)) could change significantly in the future, leading to a material change in provisions for losses.

(f) Notes Payable and Debentures

Notes payable and debentures are carried at amortized cost. Premiums and discounts on notes payable and debentures are amortized to interest expense using the effective yield method over the period to maturity.

(g) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Estimated indemnities payable and Due to Crop Reinsurance Fund of Alberta. Fair values of Loans receivable, Investments, Notes payable and debentures are disclosed in their respective notes.

(h) Reinsurance Ceded

Premiums from insured persons, Contributions from the Province of Alberta, Contributions from the Government of Canada, Indemnities and Adjusting are recorded net of amounts ceded to or recoverable from reinsurers (see Note 13). Estimates of amounts recoverable from reinsurers on indemnities and adjusting expenses are recorded in Accounts Receivable.

(i) Loan Discounting

Loans made under the Alberta Farm Income Disaster program, Canada-Alberta Partnership on Agri-food program, and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(j) Revenue Recognition

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for capital asset acquisitions are recorded as deferred revenue until that revenue is recognized on the same schedule as those capital assets are amortized.

Loan application fees are recognized when the applications are received and loan fees are recognized at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(k) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(l) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by deducting the estimated cost to collect from the estimated fair value of security and then discounting the result. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

Note 2 continued

The majority of the Corporation's loan portfolio is with beginning and developing agricultural operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(m) Transactions with Related Parties

All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 18).

Note 3 Financial Structure

(a)

The budget was authorized through the Legislative Assembly which reflects contributions from the Province of Alberta of $136,870,000. The budget was approved by the Board of Directors on January 25, 2001. Subsequently, budgets for interest costs and Farm Income Disaster Program indemnities were revised to reflect more current information, which became available in April 2001, prior to government budgets being presented to the Legislative Assembly. The detailed administration cost budget was approved by the Board of Directors on May 31, 2001.

The contribution from the Province of Alberta was adjusted by $4,332,000 for ceded reinsurance and deferred revenue.

(b) Insurance, Safety Net and Compensation Programs

Programs administered by the Corporation are funded as follows:

	Premiums	Indemnities	Administration Costs
Crop Insurance Coverage up to 50%(1) of risk	20% Producers 40% Alberta 40% Canada	Premiums, Crop Insurance Fund, Private Sector Reinsurance and Government Reinsurance Funds	50% Alberta(3) 50% Canada(3)
Coverage greater than 50% and Hail Endorsement	50% Producers 34% Alberta 16% Canada		
Farm Income Disaster	N/A	58% Alberta(2) 42% Canada(2)	46% Alberta 54% Canada
Hail Insurance	100% Producers	Premiums, Private Sector Reinsurance and Hail Insurance Fund	100% Producers
Wildlife Compensation	N/A	60% Alberta 40% Canada	50% Alberta(3) 50% Canada(3)

(1) Coverage does not include hail endorsement.

(2) Based on the Federal-Provincial Agreement, the Government of Canada and the provincial governments have agreed to fund an agricultural disaster program called the Canadian Farm Income Program (CFIP). It has been further agreed that Alberta's Farm Income Disaster Program (FIDP) will be used to deliver the majority of this assistance in Alberta. Federal funding is subject to an annual cap which could result in Canada paying a lower share of indemnities.

(3) Administration costs are offset by fees and other income before Government of Canada and Province of Alberta funding is provided.

Note 3 continued

The Crop Insurance program is administered in accordance with an agreement between the Province of Alberta and the Government of Canada. The agreement determines what adequate balances are for the crop insurance and reinsurance funds, the percentage of premiums to be transferred to these funds if required and how indemnities are paid from each of these funds. During the years ended March 31, 2001 and March 31, 2002, no premium transfers were required by the agreement because fund balances were deemed adequate to meet indemnity payments.

(c)
In accordance with an agreement between the Province of Alberta and the Government of Canada, the crop insurance fund, which is the major portion of the surplus, is restricted to being used for crop insurance purposes.

(d) Lending Programs
The Corporation's loans are funded by short and long-term borrowing from the Province of Alberta. An agreement with the Province provides for the Corporation to obtain financing from the Province on the same terms at which the Province borrows that money. The Corporation has a maximum line of credit of $900,000,000. The Corporation's lending operations are funded by customers and by contributions from the Province of Alberta.

Note 4 Accounts Receivable

	2002	2001
	(in thousands)	
Premiums from insured persons:		
Crop insurance program	$10,365	$ 3,117
Hail insurance program	51	106
Due from reinsurers	4,899	7,554
Other	784	999
	16,099	11,776
Less allowances for doubtful accounts (Note 15)	(1,092)	(133)
	$15,007	$11,643

Note 5 Loans Receivable

	2002	2001
	(in thousands)	
Principal and interest due –		
Current	$831,986	$803,645
Arrears	9,405	9,527
Accrued interest	27,373	25,903
	868,764	839,075
Allowance for doubtful accounts (Note 15)	(25,961)	(24,453)
Accrued incentives	(2,677)	(2,630)
Loan discounts	(4,098)	(4,756)
	$836,028	$807,236

Loans receivable does not include prepaid balances $15,402,000 (2001 $14,072,000) which are included in Accounts payable and Accrued liabilities.

The allowance for doubtful accounts of $25,961,000 (2001 $24,453,000) includes a specific allowance of $1,544,000 (2001 $2,825,000) on impaired loans outstanding of $7,301,000 (2001 $11,217,000), excluding unamortized loan discount. The allowance for doubtful accounts includes a general allowance of $24,417,000 (2001 $21,628,000).

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2002	2001
	(in thousands)	
Alberta Farm Income Disaster loans	$45,540	$44,560
Indexed Deferral Plan	4,512	5,314
Canada-Alberta Partnership on Agri-food	–	454
	$50,052	$50,328

The approximate fair value of loans receivable at March 31, 2002 is $813,732,000 (2001 $758,303,000 restated). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2002	2001
	(in thousands)	
Bonds and debentures –		
Government of Canada, direct and guaranteed	$225,134	$214,904
Other provincial direct and guaranteed	86,476	124,689
	311,610	339,593
Fair value	317,310	350,957
Securities –		
Corporate	55,695	66,212
Fair value	57,623	69,735
	367,305	405,805
Accrued interest	5,678	5,997
	$372,983	$411,802
Fair value	$374,933	$420,692

Fair value is based on quoted market prices including accrued interest.

Note 7 Property Held for Sale

Property held for sale has been acquired as a result of foreclosures, quit claims and other actions.

	2002	2001
	(in thousands)	
Cost of property	$ 611	$1,027
Less allowance for losses on realization (Note 15)	(517)	(853)
Estimated net realizable value	$ 94	$ 174

The allowance for losses on realization of $517,000 (2001 $853,000) includes a specific allowance of $517,000 (2001 $853,000) on property balances outstanding of $611,000 (2001 $1,027,000).

Note 8 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land	$ 280	$ –	$ 280	$ 115
Building	2,919	1,055	1,864	1,981
Computer equipment	5,476	3,792	1,684	1,484
Software development costs	15,278	4,288	10,990	11,735
Equipment and furniture	2,467	1,437	1,030	976
Vehicles	1,324	824	500	423
	$27,744	$11,396	$16,348	$16,714

Note 9 Estimated Indemnities Payable

	2002	2001
	(in thousands)	
Farm Income Disaster Program	$74,117	$110,429
Crop insurance	2,824	2,929
Wildlife compensation	160	1,025
Hail insurance	234	187
	$77,335	$114,570

Note 10 Notes Payable and Debentures

Notes payable and debentures payable to the Province of Alberta are comprised of the following:

	Calendar Year of Maturity	Weighted Average Interest Rate	March 31 Principal Outstanding 2002	2001
			(in thousands)	
Debenture A	2004	9.95%	$ –	$ 30,120
Debenture D	2006	8.25%	–	21,000
Debenture E	2006 - 2007	7.41%	–	46,200
Debenture L	2001 - 2002	7.37%	–	7,476
Total due to Alberta Heritage Savings and Trust Fund			–	104,796
Short term notes	2001 - 2002	2.45%	100,631	28,716
Note payable 01	2011	7.64%	18,772	20,066
Note payable 02	2010	5.58%	40,413	43,748
Note payable 03	2013	5.43%	40,380	42,845
Note payable 04	2013	5.84%	28,852	30,512
Note payable 05	2016	6.52%	91,727	95,351
Note payable 06	2010	5.94%	23,502	97,798
Note payable 07	2016	5.93%	90,407	24,500
Note payable 08	2016	5.86%	47,260	49,287
Note payable 09	2011	5.56%	149,655	149,576
Note payable 10	2005	5.23%	24,589	25,000
Note payable 11	2003	4.79%	25,782	26,453
Note payable 12	2004	5.05%	25,677	25,963
Note payable 13	2016	5.99%	47,767	–
Note payable 14	2004	4.94%	24,884	–
Note payable 15	2006	5.54%	24,701	–
Total due to Department of Finance			804,999	659,815
			804,999	764,611
Accrued interest			12,410	12,797
			$817,409	$777,408

Notes Payable include net unamortized discounts of $3,898,000 (2001 $3,126,000).

Note 10 continued

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2003	$138,980
2004	$ 81,326
2005	$101,895
2006	$ 99,836
2007	$ 59,129

The approximate fair value at March 31, 2002 is $824,330,000 (2001 $779,103,000). Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a factor to reflect the blended payment structure of the debentures and notes.

Note 11 Deferred Revenue

	2002	2001
	(in thousands)	
Province of Alberta capital asset grants	$ 8,487	$ 8,415
Government of Canada capital asset grants	5,271	5,732
Deferred Canada-Alberta Partnership on Agri-food (CAPA) contributions	–	3,379
Premiums from insured persons	10,023	1,889
	$23,781	$19,415

Note 12 Premiums from Insured Persons

The producers' crop insurance premiums have been reduced by 30% from the premiums determined in accordance with the Crop Insurance agreement between the Province of Alberta and the Government of Canada. This was agreed to by the Province of Alberta and the Government of Canada.

Note 13 Reinsurance

In addition to the protection provided by the crop insurance and crop reinsurance funds and the hail insurance fund, the Corporation has obtained reinsurance from non-government sources. For Crop Insurance, the Corporation reinsured a maximum of $118,227,000 of the risk. For Hail Insurance, the Corporation reinsured a maximum of $3,753,000 of the risk.

Note 13 continued

The figures shown on the Statement of Revenue, Expense and Surplus are net of the following amounts relating to reinsurance ceded to reinsurers.

	2002 Crop Insurance	2001 Crop Insurance	2002 Hail Insurance	2001 Hail Insurance
	(in thousands)			
Gross premiums from insured persons	$ 78,841	$ 54,853	$15,397	$18,188
Premium discounts/rebates	(25,431)	(17,613)	(3,322)	(2,096)
Ceded to reinsurers	(6,294)	(890)	(304)	(155)
Premiums from insured persons, net	$ 47,116	$ 36,350	$11,771	$15,937
Premium contributions from Province of Alberta	$ 65,009	$ 42,570	$ –	$ –
Contribution for administration and adjusting expenses	10,703	9,786	–	–
	75,712	52,356	–	–
Ceded to reinsurers	(5,578)	(660)	–	–
Contribution from Province of Alberta, net	$ 70,134	$ 51,696	$ –	$ –
Premium contributions from Federal Government	$ 41,785	$ 35,568	$ –	$ –
Contribution for administration and adjusting expenses	10,703	9,786	–	–
	52,488	45,354	–	–
Ceded to reinsurers	(3,805)	(382)	–	–
Contribution from Federal Government, net	$ 48,683	$ 44,972	$ –	$ –
Gross indemnities	$274,125	$155,497	$11,182	$32,308
Reinsurance recoveries	(41,611)	–	–	(4,433)
Indemnities, net	$232,514	$155,497	$11,182	$27,875
Gross adjusting expenses	$ 5,891	$ 5,511	$ 389	$ 510
Reinsurance recoveries	(1,951)	–	–	–
Adjusting, net	$ 3,940	$ 5,511	$ 389	$ 510

Note 14 Pensions

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,014,000 for the year ending March 31, 2002 (2001 $974,000).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 $635,084,000). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399,000 (2000 surplus $180,000).

Note 15 Allowances for Doubtful Accounts and for Losses

(in thousands)

	Accounts Receivable (Note 4)	Loans Receivable (Note 5)	Property Held for Sale (Note 7)	Loan Guarantees (Note 16)	Total
Allowances at March 31, 2000	$ 194	$26,084	$ 838	$2,649	$29,765
Transfers to property for sale in 2000-01	–	(533)	533	–	–
Provision for 2000-01	(79)	(707)	(422)	(688)	(1,896)
Write-offs in 2000-01, net of recoveries	18	(391)	(96)	–	(469)
Allowances at March 31, 2001	133	24,453	853	1,961	27,400
Transfers to property for sale in 2001-02	–	(209)	209	–	–
Provision for 2001-02	949	3,070	393	(296)	4,116
Write-offs in 2001-02, net of recoveries	10	(1,353)	(938)	–	(2,281)
Allowances at March 31, 2002	$1,092	$25,961	$ 517	$1,665	$29,235

Note 16 Contingencies and Commitments

(in thousands)

	2002	2001
Loan guarantees	$47,029	$56,953
Less allowance for losses (Note 15)	(1,665)	(1,961)
Total contingencies	$45,364	$54,992
Estimated farm loan incentives	$19,427	$18,639
Approved, undisbursed loans	25,996	38,907
Reinsurance	30,800	37,525
Total commitments	$76,223	$95,071

Contingencies under the Alberta Farm Development Loans program comprise $39,081,000 (2001 $49,719,000) of the loan guarantees. Loans made by other financial institutions outstanding under this program at March 31, 2002 were $99,617,000 (2001 $126,186,000).

There are legal actions outstanding against the Corporation in the amount of $218,000 (2001 $329,000) but it is expected that these actions will not result in significant costs to the Corporation.

Note 17 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies.

Note 17 continued

Lending staff manage the Corporation's significant credit risk exposure in the beginning and developing agricultural business loans by monitoring accounts very closely. This enables the Corporation to counsel owners of businesses to take quick action if problems start to occur and enables the Corporation to take prompt action to realize on its security. Security requirements for individual loans reflect the degree of risk in each particular operation. Businesses needing specialized and customized equipment, or those involved with new and emerging segments of agriculture, are required to have significantly higher security margins than enterprises in more traditional parts of agriculture. Although these measures do not eliminate the risk, they do reduce the risk of significant losses if there is a province-wide economic downturn in the agri-industry.

The Corporation, through its reinsurance broker, monitors the concentration of credit risk for the insurance contract it holds with each reinsurer (see Note 13) and evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored by insurance staff and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of loans made as closely as practical. Longer term repayments are partially financed by funding other than debt.

Interest rates are fixed for the life of Beginning Farmer loans, the major portion of the Corporation's loan portfolio. The Corporation does not set these rates to reflect the cost of money in the market. To maintain the current interest rate for future Beginning Farmer loans if there are significant increases in market interest rates, increases in the contribution from the Province will be required.

The following provides a breakdown of the gaps between the notes payable and debentures and the loan portfolio. Because there are no early repayment penalties on most loan programs, the gap analysis includes an adjustment for expected repayments based on historical patterns.

		Term to Maturity (1)				2002	2001
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years *(in thousands)*	Not (2) Interest Rate Sensitive	Total	Total
Direct farm loans	$ 55,601	$ 235,029	$257,883	$255,217	$ 3,139	$806,869	$774,843
Yield (3)	7.19%	7.29%	7.34%	7.39%	–	7.30%	7.39%
Commercial loans	$ 4,241	$ 12,156	$ 9,239	$ 2,620	$ 903	$ 29,159	$ 32,393
Yield (3)	7.26%	7.10%	7.42%	6.25%	–	7.18%	8.52%
Total	$ 59,842	$ 247,185	$267,122	$257,837	$ 4,042	$836,028	$807,236
Yield (3)	7.19%	7.29%	7.34%	7.38%	–	7.29%	7.44%
Notes payable and debentures Province of Alberta	$ 138,981	$ 332,187	$238,791	$ 98,939	$ 8,511	$817,409	$777,408
Yield (3)	5.78%	6.25%	6.55%	6.35%	–	6.21%	5.85%
Net gap before prepayment adjustment	$(79,139)	$(85,002)	$ 28,331	$158,898	$(4,469)	$ 18,619	$ 29,828
Estimated prepayment	42,020	79,679	(28,948)	(92,751)	–	–	–
Net gap	$(37,119)	$ (5,323)	$ (617)	$ 66,147	$(4,469)	$ 18,619	$ 29,828

Note 17 continued

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2002. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2002 an immediate and sustained increase in interest rates of 1% would increase net interest paid by $21,000 and would increase the net fair market value of loans and financing for the next fiscal year by $4,511,000 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net interest paid and would increase the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The Corporation's Investment Policy is set with terms that attempt to anticipate the expected future cash flows of the Crop Insurance and Hail Insurance funds. The expected future cash flows are based on historical information modified for current factors that may impact historical results.

The following provides a breakdown of the investment portfolio by term to maturity.

		Term to Maturity (1)			**2002**	**2001**
	Within 1 Year	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Total**
			(in thousands)			
Bonds and debentures –	$ –	$284,146	$15,147	$12,317	$311,610	$339,593
Yield (3)	–	5.08%	5.58%	6.26%	5.15%	5.79%
Corporate securities –	–	55,695	–	–	55,695	66,212
Yield (3)	–	6.07%	–	–	6.07%	6.55%
	–	339,841	15,147	12,317	367,305	405,805
Accrued interest	–	5,148	292	238	5,678	5,997
	$ –	$344,989	$15,439	$12,555	$372,983	$411,802

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual or annual installments of principal. For investments, term to maturity classifications are based on contractual maturity date of the security.

(2) Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

(3) For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For notes payable and debentures, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Note 18 Related Party Transactions

Sufficient information is provided throughout the statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2002	**2001**
	(in thousands)	
Interest expense – Province of Alberta	$48,202	$52,484
Administration expense – Province of Alberta	2,225	2,425

Note 19 Crop Reinsurance Funds

In accordance with an agreement between the Province of Alberta and the Government of Canada, a percentage of crop insurance premiums are transferred to reinsurance funds (see Note 3(b)). In addition, the agreement stipulates when an amount can be withdrawn from the funds. The provincial fund, called the Crop Reinsurance Fund of Alberta, is invested by the Corporation on behalf of the Province of Alberta and, accordingly, is shown as a liability of the Corporation to the Province. This liability of $53,518,000 (2001 $53,518,000) is equal to the closing surplus in the fund. The federal fund, called the Crop Reinsurance Fund of Canada for Alberta, is held by Canada.

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2002	2001	2002	2001
	(in thousands)		*(in thousands)*	
Opening surplus	$53,518	$53,528	$77,225	$77,235
Current year contributions	–	(10)	–	(10)
Closing surplus	$53,518	$53,518	$77,225	$77,225

Note 20 Subsequent Events

Effective April 1, 2002, Alberta Opportunity Company merged with Agriculture Financial Services Corporation. The following are combined balances as at April 1, 2002:

	(in thousands)
Assets	$1,449,286
Surplus	368,119

If the corporations had merged at April 1, 2001, the following would have been the combined operating results for the year ended March 31, 2002.

	(in thousands)
Revenue	$406,110
Deficit for the year	(47,044)

Note 21 Comparative Figures

The 2001 figures have been reclassified where necessary to conform to 2002 presentation.

Agencies/Funds

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2002

Schedule 1

(in thousands)

	2002 Crop Insurance	2001 Crop Insurance	2002 Farm Income Disaster	2001 Farm Income Disaster	2002 Beginning Farmer Lending	2001 Beginning Farmer Lending	2002 Hail Insurance	2001 Hail Insurance
Revenue								
Premiums from insured persons, net (Notes 12, 13)	$ 47,116	$ 36,350	$ –	$ –	$ –	$ –	$11,771	$ 15,937
Interest	146	238	3	22	52,926	49,507	65	87
Contribution from Province of Alberta, net (Note 13)	70,134	51,696	60,746	6,332	6,975	8,009	–	–
Contribution from Government of Canada, net (Note 13)	48,683	44,972	33,398	14,021	–	–	–	–
Investment income	28,781	24,879	532	1,463	273	142	3,218	2,953
Fees and other income	4,589	138	69	626	980	1,005	405	406
Amortization of loan discounts	–	–	–	–	357	52	–	–
	199,449	158,273	94,748	22,464	61,511	58,715	15,459	19,383
Expense								
Indemnities (Note 13)	232,514	155,497	89,372	16,609	–	–	11,182	27,875
Interest	–	–	–	–	42,566	46,469	–	–
Administration, Schedule 2	16,914	14,258	5,376	5,855	11,050	9,531	1,037	1,576
Farm loan incentives	–	–	–	–	5,729	4,956	–	–
Adjusting, net (Note 13)	3,940	5,511	–	–	–	–	389	510
Selling commissions	–	–	–	–	–	–	1,472	1,877
Provision for doubtful accounts and for losses (Note 15)	944	(43)	–	–	2,166	(2,241)	13	(8)
	254,312	175,223	94,748	22,464	61,511	58,715	14,093	31,830
(Deficiency) excess of revenue over expense before recoveries	(54,863)	(16,950)	–	–	–	–	1,366	(12,447)
Recoverable from (by) Government of Canada	–	–	–	–	–	–	–	–
Recoverable by Province of Alberta	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
(Deficit) surplus for the year	(54,863)	(16,950)	–	–	–	–	1,366	(12,447)
Surplus (deficit) at beginning of year	330,717	347,667	–	–	–	–	47,720	60,167
Surplus (deficit) at end of year	$275,854	$330,717	$ –	$ –	$ –	$ –	$49,086	$ 47,720

Agencies/Funds – continued

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2002

Schedule 1 – continued *(in thousands)*	2002 Commercial Lending	2001 Commercial Lending	2002 Wildlife Compensation	2001 Wildlife Compensation	2002 Other	2001 Other	2002 Total	2001 Total
Revenue								
Premiums from insured persons, net (Notes 12, 13)	$ –	$ –	$ –	$ –	$ –	$ –	$ 58,887	$ 52,287
Interest	2,754	2,615	–	–	5,653	5,151	61,547	57,620
Contribution from Province of Alberta, net (Note 13)	(1,815)	1,950	1,676	3,543	970	4,042	138,686	75,572
Contribution from Government of Canada, net (Note 13)	3,379	3	1,162	2,456	1	11	86,623	61,463
Investment income	105	247	11	93	103	211	33,023	29,988
Fees and other income	703	302	27	31	718	416	7,491	2,924
Amortization of loan discounts	46	142	–	–	498	354	901	548
	5,172	5,259	2,876	6,123	7,943	10,185	387,158	280,402
Expense								
Indemnities (Note 13)	–	–	2,596	5,874	15	–	335,679	205,855
Interest	940	1,722	–	–	4,742	5,060	48,248	53,251
Administration, Schedule 2	4,295	2,955	99	105	1,467	3,120	40,238	37,400
Farm loan incentives	–	–	–	–	244	2,010	5,973	6,966
Adjusting, net (Note 13)	–	–	181	144	143	83	4,653	6,248
Selling commissions	–	–	–	–	–	–	1,472	1,877
Provision for doubtful accounts and for losses (Note 15)	(63)	582	–	–	1,056	(186)	4,116	(1,896)
	5,172	5,259	2,876	6,123	7,667	10,087	440,379	309,701
(Deficiency) excess of revenue over expense before recoveries	–	–	–	–	276	98	(53,221)	(29,299)
Recoverable from (by) Government of Canada	–	–	–	–	244	(57)	244	(57)
Recoverable by Province of Alberta	–	–	–	–	(282)	(79)	(282)	(79)
	–	–	–	–	(38)	(136)	(38)	(136)
(Deficit) surplus for the year	–	–	–	–	238	(38)	(53,259)	(29,435)
Surplus (deficit) at beginning of year	–	–	–	–	(38)	–	378,399	407,834
Surplus (deficit) at end of year	$ –	$ –	$ –	$ –	$ 200	$ (38)	$325,140	$378,399

Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2002

Schedule 2

(in thousands)

	2002 Budget (Note 3(a))	2002 Actual	2001 Actual
Salaries and benefits (Note 14)	$24,559	$25,039	$22,265
Contracted services	5,889	4,791	4,547
Office accomodation costs	2,796	2,818	2,665
Amortization of capital assets	2,700	2,701	2,586
Stationery and supplies	945	938	986
Data processing	917	732	854
Travel and automobile	762	653	693
Telecommunications	807	472	566
Advertising	531	466	331
Professional services	747	355	524
Equipment, rental and maintenance	471	349	366
Training, meetings, seminars, conferences	437	278	265
Directors' fees and expenses	332	267	272
Postage and freight	199	182	307
Insurance	110	78	89
Grain grading	84	53	62
Bank charges	20	49	7
Collection commissions	52	17	15
	$42,358	$40,238	$37,400

Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2002

Schedule 3

(in thousands)

	2002			2001
	Salary and Wages[1]	Benefits and Allowances[2]	Total	Total
Chair	$ 49	$ –	$ 49	$ 44
Board members	149	4	153	161
President and Managing Director	127	56	183	207
Vice President, Field Operations	105	30	135	163
Vice President, Finance and Administration	119	38	157	157
Vice President, Research, Information and Development	119	37	156	168
Vice President, Information Technology and Administrative Services	122	39	161	143

(1) Salary and wages are fees for Chair and Board members and regular base pay for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation, professional memberships, vacation payouts and achievement bonus. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director.

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Alberta Opportunity Company as at March 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
May 3, 2002

Balance Sheet as at March 31, 2002

(in thousands)

	2002	2001
Assets		
Cash	$ 4,185	$ 6,663
Accounts receivable	16	13
Loans receivable *(Note 3)*	122,247	119,968
Property held for sale *(Note 5)*	656	680
Property, plant and equipment *(Note 6)*	1,156	1,159
	$128,260	**$128,483**

Liabilities and Retained Earnings		
Accounts payable and accrued liabilities	$ 2,255	$ 2,087
Notes payable *(Note 7)*	83,026	89,632
	85,281	91,719
Retained earnings	42,979	36,764
	$128,260	**$128,483**

The accompanying notes are an integral part of these financial statements.

Statement of Income and Retained Earnings for the Year Ended March 31, 2002

(in thousands)

	2002 Budget (Note 14)	2002 Actual	2001 Actual
Net Interest Income			
Interest income	$11,287	$12,814	$12,856
Interest expense	5,453	4,740	5,194
	5,834	**8,074**	7,662
Net Interest Income After Charge for Losses			
Charge for loan losses and losses on realization *(Notes 4 and 5)*	4,511	592	2,041
	1,323	**7,482**	5,621
Other Income			
Application and processing fees	545	568	549
Grant from the Province of Alberta for the assistance of small business	5,570	5,570	5,524
	6,115	**6,138**	6,073
Net interest and other income	**7,438**	**13,620**	**11,694**
Non-Interest Expense			
Operations *(Note 9)*	7,186	7,405	6,336
Net Income	**$ 252**	**$ 6,215**	**$ 5,358**
Retained earnings, beginning of year		**36,764**	31,406
Retained earnings, end of year		**$42,979**	**$36,764**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2002

(in thousands)

	2002	2001
Operating Activities		
Net income	$ 6,215	$ 5,358
Recoveries of loans written off	575	281
Interest paid on maturity of notes	(740)	(1,037)
Items not affecting cash –		
Charge for loan losses and losses on realization	592	2,041
Amortization of property, plant and equipment	324	219
Amortization of note discounts	770	1,309
Net change in other assets and other liabilities	616	302
Cash flows from operating activities	**8,352**	8,473
Investing Activities		
Loans disbursed	(35,761)	(35,254)
Proceeds from repayment of loans	32,289	29,636
Payment of called guarantees	(637)	(50)
Sale (acquisition) of property held for sale	223	(46)
Purchase of property, plant and equipment (net of sale proceeds)	(309)	(253)
Cash flows used in investing activities	**(4,195)**	(5,967)
Financing Activities		
Proceeds of notes	19,948	33,981
Repayment of notes	(26,583)	(31,070)
Cash flows from financing activities	**(6,635)**	2,911
Net (decrease) increase in cash	(2,478)	5,417
Cash, beginning of year	6,663	1,246
Cash, end of year	**$ 4,185**	**$ 6,663**
Supplementary Cash Flow Information		
Interest paid during the year	$ 3,969	$ 4,777

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements March 31, 2002

Note 1 Authority and Purpose

Alberta Opportunity Company (the "Company") operates under the authority of the Alberta Opportunity Fund Act, Chapter A-28, Revised Statutes of Alberta 2000, as amended. See Note 15.

The Company is exempt from income taxes under Section 149 of the Income Tax Act.

The purpose of the Company is to provide financial assistance and guidance for the development of Alberta business. Priority is given to smaller businesses in rural communities which, although viable, are unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses which will create jobs, are introducing improvements in productivity or technology, or have export or tourism potential.

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following paragraphs describe the significant accounting policies.

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Loans Receivable

Interest revenue is accrued on loans until such time as a loan is classified as impaired. Interest income is not recognized on impaired loans until such time as the charges for loan impairment have been reversed. Loan application and processing fees are included in income when charged.

A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is reasonable doubt as to the timely collection of some portion of principal and interest. A loan where payment of interest is contractually past due 60 days is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal.

Loans receivable are stated net of an allowance for loan losses. The allowance for loan losses represents management's best estimate of probable losses on loans outstanding. The allowance has a specific and a general component. The specific allowance is established following a detailed review on a loan-by-loan basis wherein the discounted future cash flows and the fair value of the security underlying the loan are determined. The specific allowance reduces the carrying value of the impaired loans to their estimated realizable values. The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined by historical trends in loss experience and the current portfolio profile together with management's evaluation of other existing conditions at the balance sheet date. Changes in the allowance for loan losses are reflected in income.

Property Held for Sale

Property held for sale is valued at the lower of cost and estimated net realizable value and is stated net of an allowance for losses on realization. The allowance for losses on realization represents management's best estimate of probable losses on selling the property. Changes in the allowance for losses on realization are reflected in income. Operating costs less rental revenues are added to the cost of the properties.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	15%
Computer equipment and software	20%
Leasehold improvements	term of each lease

Note 2 continued

Notes Payable

Notes payable are stated net of unamortized discounts and premiums. Unamortized discounts result when the Company receives funds less than the face value of the note. Unamortized premiums result when the Company receives funds in an amount greater than the face value of the note. Unamortized discounts and premiums are amortized on a straight line basis over the term to maturity and included in interest expense.

Pensions

The Company participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Operating Grant

The grant from the Province of Alberta is recorded as revenue in the year for which it is approved.

Note 3 Loans Receivable

	2002	2001
	(in thousands)	
Loans and accrued interest receivable	$119,724	$117,561
Impaired loans	12,505	14,156
	132,229	131,717
Less allowance for loan losses (Note 4)		
Specific allowance	3,996	5,283
General allowance	5,986	6,466
	9,982	11,749
	$122,247	$119,968

Security on loans receivable consists of general security agreements, land mortgages, debentures and guarantees. Loans generate a weighted average interest return of 9.2% (2001 - 9.5%).

Note 4 Allowance for Loan Losses

	2002	2001
	(in thousands)	
Allowance, beginning of year	$11,749	$11,177
Charge for loan losses	(52)	1,759
Write-offs	(2,290)	(1,468)
Recoveries of amounts previously written off	575	281
Allowance, end of year	$ 9,982	$11,749

Note 5 Property Held for Sale

	2002	2001
	(in thousands)	
Cost	$1,921	$1,638
Less allowance for losses on realization		
Allowance, beginning of year	958	703
Charge for losses on realization	644	282
Reversal on sale	(337)	(27)
Allowance, end of year	1,265	958
	$ 656	$ 680

Note 6 Property, Plant and Equipment

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Equipment and software	$2,487	$1,334	$1,153	$1,147
Leasehold improvements	151	148	3	12
	$2,638	$1,482	$1,156	$1,159

Equipment and software includes $nil (2001 – $657,000) in software at cost which is not being amortized due to being under development.

Note 7 Notes Payable

Notes are payable to the Province of Alberta. Interest on notes with maturities greater than one year is payable semi-annually. The balance includes $441,000 (2001 – $859,000) in unamortized discounts and $1,003,000 (2001 – $1,276,000) in unamortized premiums.

Maturity Date	Series	Interest Rate	2002	2001
			(in thousands)	
December 11, 2001	Note 024	5.68%	$ –	$13,282
March 27, 2002	Note 005	5.44%	–	13,198
September 30, 2002	Note 008	5.00%	12,216	12,167
December 10, 2002	Note 026	2.31%	10,138	–
March 31, 2003	Note 013	5.00%	14,169	14,137
December 1, 2003	Note 015	5.10%	9,955	9,928
March 30, 2004	Note 019	5.30%	5,996	5,995
December 1, 2004	Note 023	5.75%	5,944	5,924
December 1, 2005	Note 025	7.50%	14,728	15,001
December 1, 2006	Note 027	5.25%	9,880	–
			$83,026	$89,632

Scheduled principal repayments are as follows:

	(in thousands)
2003	$36,523
2004	15,951
2005	5,944
2006	14,728
2007	9,880
	$83,026

Note 8 Pensions

The Company participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Company also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $270,000 for the year ended March 31, 2002 (2001 – $264,000).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 – restated $170,858,000) and the Public Service Pension Plan reported a surplus of $320,847,000 (2000 – $635,084,000). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399,000 (2000 – surplus $180,000).

Note 9 Operations

	2002 Budget	2002 Actual	2001 Actual
		(in thousands)	
Salaries and benefits	$4,491	$5,165	$4,246
Communications	662	541	464
Occupancy	510	499	492
Legal and other fees	515	343	335
Amortization of property, plant & equipment	315	324	219
Board of Directors fees	68	53	62
Other	625	480	518
	$7,186	$7,405	$6,336

Note 10 Salary and Benefits Disclosure

		2002		2001
	Salary (a)	Benefits (b)	Total	Total
		(in thousands)		
Chair of the Board	$ 14	$ –	$ 14	$ 11
President and CEO(c)	140	5	145	174
Regional Vice President, South	117	32	149	132
Chief Financial Officer	106	27	133	126
Regional Vice President, North(d)	75	39	114	142
Manager, Corporate Development	103	10	113	107

(a) Salary includes regular base pay, bonuses and Board of Directors fees.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan, professional memberships and vacation payouts. Payments for vacation entitlements included as benefits were as follows:

	2002	2001
President and CEO	–	14
Regional Vice President, South	4	4
Chief Financial Officer	4	5
Regional Vice President, North	22	–
Manager, Corporate Development	6	5

(c) Automobile provided, no amount included for benefits.

(d) Position eliminated November 30, 2001.

Note 11 Financial Instruments

Fair Values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Company's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques which are significantly affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, the fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Company has determined the fair value of its financial instruments as follows:

(a) Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities.

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

(b) Loans Receivable

The estimated fair value of loans is determined by discounting the expected future cash flows of these loans at current interest rates for developmental loans with similar terms and credit risks.

	2002		2001	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
		(in thousands)		
Loans	$122,247	$131,837	$119,968	$127,184

(c) Notes Payable

The estimated fair value of the Company's debt instruments is determined by discounting the expected future cash flows of these instruments at current Province of Alberta AAA borrowing rates for notes with similar terms.

	2002		2001	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
		(in thousands)		
Notes payable	$83,026	$84,340	$89,632	$90,186

Credit Risk Management

Credit risk arises from the potential for borrowers to default on their contractual loan obligations. Credit exposure on the Company's loan portfolio is managed through due diligence and account administration. To minimize the credit risk associated with the loans the Company requires security agreements and personal guarantees on all loans.

Of the total loans outstanding at March 31, 2002, approximately 23% related to the accommodation and food service industry (2001 – 22%), 17% related to retail trade (2001 – 21%), 11% related to manufacturing (2001 – 13%) and 7% related to real estate and insurance (2001 – 10%). No other industry segment exceeded 5% of the total portfolio. Management considers the aforementioned concentrations to be within acceptable limits.

Interest Rate Risk Management

Interest rate risk refers to the potential impact of changes in interest rates on the Company's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets.

The Company manages interest rate risk by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to match the average terms of the Company's loan portfolio.

The table below summarizes amounts by maturity dates and weighted average effective interest rates. The net gap position represents the mismatch of financing and loan portfolio at March 31, 2002.

Note 11 continued

	Term to Maturity (a)			2002	2001
	Within 1 Year	1 to 5 Years	Non-Rate Sensitive (b)	Total	Total
			(in thousands)		
Carrying value					
Cash	$ 4,185	$ –	$ –	$ 4,185	$ 6,663
Loans receivable	21,156	96,787	4,304	122,247	119,968
Notes payable	36,523	46,503	–	83,026	89,632
Net gap	$(11,182)	$50,284	$4,304	$ 43,406	$ 36,999
Effective yield (c)					
Loans receivable	11.15%	10.77%	–	10.84%	11.08%
Notes payable	4.21%	6.43%	–	6.04%	6.06%

(a) Term to maturity reflects the period of time until a loan matures or where an interest rate is renegotiated. For notes payable, term to maturity reflects the period of time until the maturity date of the notes.

(b) Includes net impaired loans, expired loans, and general provisions.

(c) For loans receivable, yield represents the rate which discounts future cash receipts to the carrying amount. For notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the maturity date.

Note 12 Contingent Liabilities

Guarantees of Bank Loans

The Company is contingently liable as a guarantor of bank operating lines of credit as follows:

	2002	2001
	(in thousands)	
Guarantees	$4,818	$4,290
Export guarantees	1,145	1,295
	$5,963	$5,585

Legal Actions

At March 31, 2002, the Company is a defendant in five legal claims (2001 – six legal claims). All of these claims have specified amounts totaling $16,688,000 (2001 – six claims with a specified amount of $17,027,000). The Company has been jointly named with other entities in all of these claims.

The resulting loss, if any, from these claims cannot be determined.

Note 13 Commitments

Unimplemented Authorizations

	2002	2001
	(in thousands)	
Loans	$11,859	$7,780
Guarantees	$ 300	$ 375
Export guarantees	–	345
	$ 300	$ 720

Note 13 continued

Operating Leases

The Company has obligations under vehicle leases and long-term, non-cancellable operating leases for premises. The leases for premises generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases. The future minimum lease payments and estimated related costs for each of the next five years are as follows:

	(in thousands)
2003	$555
2004	237
2005	159
2006	24
2007	–
	$975

Note 14 Budget

The 2002 budget was approved by the Board of Directors on August 8, 2001 and is presented for comparison with the 2002 actual figures.

Note 15 Subsequent Event

Based on the Agriculture Financial Services Amendment Act, 2002, effective April 1, 2002, the Alberta Opportunity Fund Act was repealed and the operations, assets, liabilities, rights and obligations of the Company were transferred at book value to the Agriculture Financial Services Corporation.

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the
Alberta Dairy Control Board

I have audited the statement of financial position of the Alberta Dairy Control Board as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
May 22, 2002

Statement of Operations for the Year Ended March 31, 2002

	2002 Budget (Note 13)	2002 Actual	2001 Actual
Revenue			
Hauling revenue *(Note 14)*	$ –	$ 3,643,208	$ –
Producer assessments	620,581	678,010	583,181
Processor assessments	320,399	326,707	284,831
Government contribution to administration costs	183,000	183,000	181,000
Milk coordination revenue	–	96,821	26,745
Trade initiative revenue	–	52,902	27,539
Interest income	45,000	31,427	43,728
Other income	5,000	16,945	5,472
Restricted revenue *(Note 6)*			
Milk price equalization pool	55,000,000	123,437,355	65,779,428
Milk promotion assessment	5,464,000	5,595,622	5,334,056
Alberta Milk Producers membership assessment	829,000	951,331	854,154
Nutrition education assessment	368,000	371,636	359,605
	62,834,980	**135,384,964**	73,479,739

continued

continued

Statement of Operations for the Year Ended March 31, 2002

	2002 Budget (Note 13)	2002 Actual	2001 Actual
Expense			
Hauler fees *(Note 14)*	–	3,643,208	–
Salaries and benefits *(Note 9)*	724,200	923,718	747,056
Travel and conference fees	160,000	223,988	127,609
Milk coordination expense	–	119,736	26,161
Amortization of capital assets	74,035	111,767	130,942
Data processing	90,000	102,674	137,884
General office	77,000	92,120	67,296
Trade initiative expense	–	52,901	27,509
Grants	30,000	35,846	30,870
Loss on disposal of fixed assets	–	5,969	7,142
Restricted expenses *(Note 6)*			
Milk price equalization pool	55,000,000	123,437,355	65,779,428
Alberta Milk Producers – promotion	5,464,000	5,595,622	5,334,056
– membership	829,000	951,331	854,154
Dairy Nutrition Council of Alberta	368,000	371,636	359,605
	62,816,235	**135,667,871**	73,629,712
Excess/(deficiency) of revenue over expense for the year	**$ 18,745**	**$ (282,907)**	**$ (149,973)**

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Net Assets for the Year Ended March 31, 2002

	2002				*2001*
	Invested in Capital Assets	**Restricted for Quota Exchange**	**Unrestricted**	**Total**	**Total**
Balance at beginning of year	$305,278	$11,743	$535,177	$852,198	$1,002,171
Transfer to unrestricted	–	(11,743)	11,743	–	–
Deficiency of revenue over expense for the year	–	–	(282,907)	(282,907)	(149,973)
Purchase of capital assets	73,141	–	(73,141)	–	–
Loss on disposal of capital assets	(5,969)	–	5,969	–	–
Amortization of capital assets	(111,767)	–	111,767	–	–
Balance at end of year	**$260,683**	**$ -**	**$308,608**	**$569,291**	**$ 852,198**

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2002

	2002 Budget (Note 13)	2002 Actual	2001 Actual
Assets			
Current –			
Cash *(Note 3)*	$4,504,324	$16,862,847	$4,514,073
Due from processors, producers and others *(Note 4)*	2,070,370	16,857,786	1,559,094
Prepaid expenses	–	4,383	–
	6,574,694	**33,725,016**	6,073,167
Capital assets *(Note 5)*	246,243	260,683	305,278
	$6,820,937	**$33,985,699**	**$6,378,445**
Liabilities and Net Assets			
Current –			
Due to producers	$ 140,000	$ –	$ –
Accounts payable	309,994	323,365	346,491
Deferred contributions *(Note 6)*	5,500,000	33,093,043	5,179,756
	5,949,994	**33,416,408**	5,526,247
Net assets	870,943	569,291	852,198
	$6,820,937	**$33,985,699**	**$6,378,445**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2002

	2002 Budget (Note 13)	2002 Actual	2001 Actual
Operating Activities			
Excess/(deficiency) of revenue over expense for the year	$ 18,745	$ (282,907)	$ (149,973)
Add non-cash items –			
Amortization of capital assets	74,035	111,767	130,942
Loss on disposal of capital assets	–	5,969	7,142
	92,780	**(165,171)**	(11,889)
Net change in non-cash operating working capital items *(Note 11)*	(87,529)	12,587,086	214,031
Net cash provided by operating activities	**5,251**	**12,421,915**	202,142
Investing Activities –			
Purchase of capital assets	**(15,000)**	**(73,141)**	(167,512)
Net (decrease)/increase in cash	**(9,749)**	**12,348,774**	**34,630**
Cash at beginning of year	4,514,073	4,514,073	4,479,443
Cash at end of year	**$4,504,324**	**$16,862,847**	**$4,514,073**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2002

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operates under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 2000.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization.

They are amortized over the estimated useful lives of the assets on a declining balance basis at the following rates:

Software development	30%
Computer hardware and equipment	20-30%

(b) Pension

The Board participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(c) Revenue Recognition

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue. The deferred contributions balance reported on the statement of financial position represents the amount of restricted contributions that are related to expenses of future periods.

(d) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Due from processors, producers and others, Due to producers, Accounts payable and Deferred contributions are estimated to approximate their book values.

(e) Due from Processors, Producers and Others

Section 26 (5) of Dairy Board regulations allows the Board to "net out all amounts payable among processors, producers, and the Dairy Board." As a result, amounts Due from processors, producers and others have been netted against amounts owing to processors, producers and others.

Note 3 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4 Due from Processors, Producers and Others

	2002	2001
Assessments and equalization	$16,833,688	$1,533,524
Others	24,098	25,570
	$16,857,786	$1,559,094

Any bad debts resulting from assessments and equalization amounts are recoverable by deduction from payments made by the Board to producers, processors and others under the terms of the National Milk Marketing Plan, the Western Milk Pooling Agreement, and other agreements (see Note 6).

Note 5 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net	Net
Software development	$483,126	$252,000	$231,126	$271,554
Computer hardware & equipment	91,678	62,121	29,557	33,724
	$574,804	$314,121	$260,683	$305,278

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for price equalization, milk promotion, Alberta Milk Producers Society membership, nutrition education purposes and milk transportation.

	2002	2001
Contributions received –		
Milk price equalization pool	$151,303,383	$65,364,128
Milk promotion	5,642,936	5,338,019
Alberta Milk Producers membership	951,028	855,052
Nutrition education	371,884	359,871
	158,269,231	71,917,070
Transferred to revenue –		
Milk price equalization pool	123,437,355	65,779,428
Milk promotion	5,595,622	5,334,056
Alberta Milk Producers membership	951,331	854,154
Nutrition education	371,636	359,605
	130,355,944	72,327,243
Increase (decrease) during the year	27,913,287	(410,173)
Deferred contributions at beginning of year	5,179,756	5,589,929
Deferred contributions at end of year	$ 33,093,043	$ 5,179,756
The balance consists of funds restricted for –		
Milk price equalization pool	$ 32,454,463	$ 4,588,435
Milk promotion	529,181	481,867
Alberta Milk Producers membership	76,667	76,969
Nutrition education	32,732	32,485
	$ 33,093,043	$ 5,179,756

Note 6 continued

Under Section 24 of the Dairy Board Regulation, the Board operates a price equalization pool whereby all revenues generated from the processing and sale of milk within Alberta are shared by all Alberta producers in accordance to their quota holdings. Prior to January 1, 2002, processors transferred to the pool balances owing for milk purchases less amounts payable to producers. Commencing January 1, 2002, the Board, acting as agents to processors, assumed the administrative responsibility for payment to Alberta dairy producers. This payment represents each producer's share of the pool less associated marketing expenses.

Effective August 1, 1995, the Board entered into an arrangement with the signatories of the National Milk Marketing Plan. This arrangement provides for the pooling of revenues from sales of milk components in special classes of milk used to service domestic and external markets. The Special Class Pool is administered by the Canadian Dairy Commission (CDC). Based on each province's monthly special class sales, the CDC will either distribute revenue or require a contribution to the national revenue pool.

Effective March 1, 1997 four provinces, Alberta, British Columbia, Saskatchewan, and Manitoba, and the Canadian Dairy Commission entered into the Western Milk Pooling Agreement. The purpose of the agreement is to extend the pooling arrangements within each of the provinces so that all milk revenue is pooled among producers in all four provinces, as if the western provinces constituted a single market. Based on each province's monthly sales, the CDC will either distribute revenue or require a contribution to the Western Milk Pool.

The Board collects assessments for milk promotion, Alberta Milk Producers Society membership and nutrition education. Through agreement, funds are disbursed to Alberta Milk Producers and the Dairy Nutrition Council of Alberta to conduct the Board approved activities.

Note 7 Pensions

The Board participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension. The Board also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $57,246 for the year ending March 31, 2002 (2001 – $49,965).

At December 31, 2001, the Management Employee Pension Plan reported a surplus of $5,338,000 (2000 – $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 – $635,084,000). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $ 399,000 (2000 – surplus $180,000).

Note 8 Contingent Liability

A claim has been made against the Board by a processor. The claim of $1,500,000 related to potential losses to the processor as a result of an alleged breach of contract and exemplary damages. A defense and counterclaim has been filed on behalf of the Board by Alberta Justice. The case is under court hearing and the outcome cannot be predicted with reasonable certainty at this stage. The resulting loss, if any, from these claims cannot be determined.

Note 9 Salaries and Benefits

	2002			2001
	Salaries(1)	Benefits and Allowances(2)	Total	Total
Chairman of the Board (3)	$ –	$ –	$ –	$160,894
Board Members	21,736	–	21,736	9,979
Policy Committee Members	4,832	–	4,832	2,485
Managing Director (4)	82,064	14,088	96,152	100,498

(1) Salaries include regular base pay, bonuses, honoraria and lump sum payments.

(2) Benefits and allowances include the Board's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plan, WCB premiums, professional memberships and tuition fees.

(3) Salary and benefit costs for this position were born by the Industry Development sector of Alberta Agriculture, Food & Rural Development.

(4) The position was occupied by two individuals during the year.

Note 10 Operating Lease Commitment

During the year, the Board entered into operating leases for certain office equipment. The minimum lease payments for the next five years are as follows:

2003	$7,300
2004	$1,500
2005	$Nil
2006	$Nil
2007	$Nil

Note 11 Net Change in Non-cash Working Capital

Net change in non-cash working capital comprises:

	2002	2001
Due from processors, producers and others	$(15,298,692)	$ 516,485
Prepaid expenses	(4,383)	6,000
Due to producers	–	(17,150)
Accounts payable	(23,126)	118,869
Deferred contributions	27,913,287	(410,173)
	$ 12,587,086	$ 214,031

Note 12 Transfer of Operations

Management presented a formal request on March 6, 2002 to transfer the operations of the Board to Alberta Milk on August 1, 2002. The Dairy Industry Omnibus Act, 2002, Bill 15, has been introduced to implement the change. The assets and liabilities of the Board will be transferred to the new organization. These financial statements recognize the estimated costs to wind up the Board on August 1, 2002.

Note 13 Budget

The 2001 - 2002 budget was approved by the Board Members on June 13, 2000.

Note 14 Hauling Revenue and Fees

Commencing January 1, 2002, the Board assumed responsibility for provincial milk coordination of on-farm milk pick-up and payment to milk haulers.

Note 15 Approval of Financial Statements

These financial statements were approved by the Board Members.

Agencies/Funds – continued

Alberta Dairy Control Board – Schedule to Financial Statements Allocated Costs for the Year Ended March 31, 2002

Schedule

	2002				2001
		Expenses incurred by others			
	Expenses	Accomodation Costs	Legal Services	Total Expenses	Total Expenses
Dairy Board operating expenses	$ 5,311,927	$51,085	$157,820	$ 5,520,832	$ 1,397,492
Restriced expenses	130,355,944	–	–	130,355,944	72,327,243
	$135,667,871	$51,085	$157,820	$135,876,776	$73,724,735

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Ministers of Agriculture, Food and
Rural Development and Finance

I have audited the statement of assets and fund equity of the Crop Reinsurance Fund of Alberta as at March 31, 2002 and the statement of revenue and fund equity for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn

Fred Dunn
CA
Auditor General

Edmonton, Alberta
May 17, 2002

Statement of Assets and Fund Equity as at March 31, 2002

	2002	2001
Assets		
Due from Agriculture Financial Services Corporation	$53,518,335	$53,518,335
	$53,518,335	$53,518,335
Fund Equity		
Fund equity	$53,518,335	$53,518,335
	$53,518,335	$53,518,335

The accompanying notes are part of these financial statements.

Statement of Revenue and Fund Equity for the Year Ended March 31, 2002

	2002	2001
Revenue		
Adjustment to crop insurance premiums	$ –	$ (9,879)
Fund equity at beginning of year	53,518,335	53,528,214
Fund equity at end of year	**$53,518,335**	**$53,518,335**

The accompanying notes are part of these financial statements.

Notes to the Financial Statements March 31, 2002

Note 1 Authority

The Crop Reinsurance Fund of Alberta (the Fund) operates under the authority of the Agriculture Financial Services Act, Chapter A-12 RSA 2000. The Fund is administered by the Minister of Finance of Alberta in accordance with the terms of the federal-provincial agreement entered into under the Act.

Note 2 Purpose

Each year, based on a formula in the Canada/Alberta Crop Insurance Agreement, an agreed portion of crop insurance premiums, collected by Agriculture Financial Services Corporation on behalf of the Fund, is set aside in the Fund. In years when indemnities exceed funds available from the Crop Insurance Fund, these funds are used to pay unsatisfied indemnities. In the event the Fund is in a deficit position, the deficit will be funded through future years' premiums.

Note 3 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

(a) Revenues are reported on an accrual basis.

(b) The fair value of receivables is estimated to approximate their carrying amount.

(c) Any investment income, including interest, earned by the Fund is recorded as revenue of the Crop Insurance Program and Crop Insurance Fund in accordance with the terms of the Canada-Alberta Crop Insurance Agreement.

(d) A statement of changes in financial position is not provided as disclosure in the statement of assets and fund equity and the statement of revenues and fund equity is considered to be adequate.

Note 4 Due from Agriculture Financial Services Corporation

The Fund is invested by Agriculture Financial Services Corporation on behalf of the Minister of Finance of Alberta.

Note 5 Adjustment to Crop Insurance Premiums

There were no contributions made to the Fund during the year ended March 31, 2002 in accordance with the Canada-Alberta Crop Insurance Agreement.

Note 6

These financial statements were approved by management of Agriculture Financial Services Corporation.

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2002

The following statement has been prepared pursuant to section 28 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs	
Departmental accounts receivable	$ 21,874
Agriculture Financial Services Corporation	2,280,420
Total remissions, compromises and write-offs	**$2,302,294**

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2001

Program/Borrower	**Amount of Guarantee or Indemnity**	**Payments**	**Recoveries**
Agriculture Financial Services Corporation	$26,980,058	$278,067	$118,860
Alberta Opportunity Company	5,962,500	637,412	500
Total guarantees and indemnities given	**$32,942,558**	**$915,479**	**$119,360**

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Finance
Alberta Municipal Financing Corporation	Finance
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCore Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations

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[1] Ministry includes only the department so separate department financial statements are not necessary.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[1]	Transportation
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards	
Calgary Community Board	Community Development
Central Community Board	Community Development
Edmonton Community Board	Community Development
Northeast Community Board	Community Development
Northwest Community Board	Community Development
South Community Board	Community Development
Persons with Developmental Disabilities Foundations[2]	Community Development
Persons with Developmental Disabilities Michener Centre Facility Board	Community Development
Persons with Developmental Disabilities Provincial Board	Community Development
Provincial Judges and Masters in Chambers Reserve Fund	Finance
S C Financial Ltd.	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation, The	Community Development

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[1] Ministry includes only the department so separate department financial statements are not necessary.

[2] Dissolved June 2001

Alphabetical List of Government Entities' Financial Statements – continued

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Universities Academic Pension Plan	Finance
Workers' Compensation Board	Human Resources and Employment

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